NORTHEAST-MIDWEST INSTITUTE

BRINGING THE FEDERAL GOVERNMENT BACK DOWNTOWN
An Urban Policy Evaluation

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The last several years have marked an increasing recognition that the future of the Northeast and Midwest, America's traditional industrial heartland, is of critical importance to the nation. It was not until the severe recession of the early and mid-1970s that political, business, and community leaders in the region began to acknowledge how far its once-vigorous economy had slipped.

The mounting evidence of this economic shift away from Northeastern and Midwestern states moved members of Congress, governors, state legislators, business and labor leaders, and others to organize for study and common action.

Formed in September 1976, the Northeast-Midwest Congressional Coalition is a bipartisan organization of 213 representatives from 18 states in the region. The Coalition's 35-member steering committee is headed by four officers: Representative Robert W. Edgar (D-Pa.), chairman; and Representatives Frank Horton (R-N.Y.), James L. Oberstar (D-Minn.), and Silvio O. Conte (R-Mass.), co-chairmen. The Northeast-Midwest Senate Coalition, formed in 1978, is headed by Senators Birch E. Bayh (D-Ind.) and John H. Chafee (R-R.I.), co-chairmen, and Daniel P. Moyhihan (D-N.Y.), secretary-treasurer.

These Northeast-Midwest coalitions in the House and Senate seek to inform their members about the regional implications of national policies and proposals, and to influence those issues of greatest importance to states in the region.

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The Northeast-Midwest Congressional Coalition and the Northeast-Midwest Senate Coalition represent these state delegations: Connecticut, Delaware, Illinois, Indiana, Iowa, Maine, Maryland, Massachusetts, Michigan, Minnesota, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Vermont, and Wisconsin.

Tom Cochran, Executive Director

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SUMMARY

President Carter, recognizing the growing economic problems of many of the nation's urban areas, announced his urban policy initiatives in March 1978. A key component of this policy was a directive to locate federal facilities in central business areas (CBAs) of central cities, particularly economically distressed cities whenever possible. An Executive Order (12072) issued in August 1978 established the responsibility of the General Services Administration (GSA) for implementing the national urban location policy.

The intent of E.O. 12072 was to reverse national policy, which in the past had contributed to the movement of jobs and people out of central cities. A 1979 Northeast-Midwest Institute report documented the movement of 42,000 federal civilian employees out of central cities during the decade 1966-1976. In addition, the study found that economically distressed cities lost 93,000 federal civilian employees, while non-distressed central cities gained 51,300.

The Carter administation recognized that the migration of industry and jobs from central cities created a number of related problems: dispersed land use; inefficient use of energy; "boomtown" economies in some areas of the country, and abandonment of buildings and infrastructure in others. By ordering federal agencies to move back downtown, the president provided local officials with a tool which could be used to leverage private industry investment in redevelopment of the urban core.

Although the policy is an important one, a number of institutional barriers currently place severe limits on its effectiveness. The policy directly affects approximately 43 percent of the total federal civilian workforce. Since that workforce has not been expanding appreciably (less than 0.5 percent in the last ten years), application of the policy is limited primarily to shifts in personnel requirements and relocations of employees in leased space.

Two of the government agencies with the largest workforces -- the Postal Service and the Defense Department -- are exempt from direct compliance with the policy, although they are required to comply whenever possible.

These facts indicate that the urban policy will have a minimal impact in terms of the number of employees potentially affected unless it is more vigorously implemented by all agencies and rigorously enforced by the White House. The potential for using location decisions to help conserve urban resources and redevelop the nation's cities also will depend on the ability of federal officials to coordinate space location decisions closely with local redevelopment plans.

GSA, however, has not established any comprehensive plans to relocate federal offices to downtown locations. It has relied instead on regulations requiring priority to be given to central city locations when leases expire or agencies request additional space. Although GSA conducts Federal Space Situation Reports (FSSRs) which use a comprehensive planning approach and

require consideration of the cumulative effects of federal office locations on the community, they are prepared primarily when proposed federal space actions require congressional approval (projects costing $500,000 or more). GSA does not initiate these or similar studies at the request of local officials.

Initially GSA gave CBAs high priority; several controversial siting decisions resulted. In some of these decisions, the agencies to be moved argued that the effective performance of their mission would be impaired. GSA was criticized by members of Congress and GAO for obtaining space in CBAs at higher costs to the federal government.

Mr. R.G. Freeman III, Administrator of GSA, introduced a cost-benefit analysis requirement in October 1979, requiring further study of anticipated benefits if downtown locations represent more than a 15 percent cost increase. He also discontinued a central review procedure requiring GSA headquarters approval of all non-central business area location decisions. Although GSA has not kept records of the number of decisions affected by the new cost analysis requirement, the limited data available indicates it may have resulted in fewer decisions to relocate downtown. Of the decisions reported to the White House through July of this year by GSA, only 58 percent in 1980 favored CBAs, down from 70 percent in 1979.

To strengthen implementation of the urban location policy, GSA should place more emphasis on long-range planning for cities with a significant location potential. For example, an analysis of central cities in 38 SMSAs with at least 20 percent of GSA-controlled space outside central cities revealed a total of 51,000 federal civilian employes located in leased space outside these central cities. To maximize the potential of the urban location policy, GSA should:

- conduct a comprehensive and thorough study which identifies cities with significant relocation potential for GSA-controlled space;
- develop comprehensive plans in coordination with local officials for cities identified in the study;
- study the effect the cost-benefit analysis has had on location decisions;
- expedite the Baltimore relocation plan as a demonstration project so actual benefits resulting from the relocation of federal offices can be measured to provide a basis for establishing the price differential used by GSA; and
- improve its monitoring and evaluation of implementation efforts by regional administrators.

To further strengthen the urban location policy, the following administrative changes should be implemented:

- GSA should reinstate a centralized review of regional administrators' decisions to grant waivers of the CBA requirement in siting decisions. To target facilities to distressed areas whenever feasible, GSA should require agencies requesting space in non-distressed cities to justify that choice to the satisfaction of GSA in a manner similar to agency justification of a non-CBA

request. The importance of targeting to distressed cities should be reemphasized to GSA personnel. GSA should provide semiannual reports to congressional oversight committees and the general public that include readily accessible information on GSA's efforts to target locations of federal employees to CBAs and distressed cities. Other agencies with their own space acquisition authority (including the Postal Service) should report to GSA the results of all space decisions. This information would provide both Congress and local officials a means of evaluating the effectiveness of GSA's implementation efforts.

- GSA should strengthen the local role in location decisions by making comprehensive plans in conjunction with local officials to relocate federal offices in CBAs. GSA should be responsive to local requests for federal property inventories as well as local requests for GSA to prepare planning reports. Non-CBA location decisions should be reviewed by local officials before being implemented by GSA. Appeal procedures should be established at GSA headquarters for local officials from distressed cities who disagree with a regional adminstrator's recommendation. These procedures should explicitly cover situations where local officials disagree with siting decisions made by other agencies with their own space acquisition authority, including the Postal Service.

- GSA also should review agency procedures for insuring implementation of the urban location policy in their own space acquisition actions.

- All non-strategic installations of the Defense Department (including offices of the Defense Logistics Agency) should be located in conformance with the urban location policy, and the president should explicitly direct the Defense Department to comply with this requirement. The Defense Department should emphasize implementation of the policy to agency officials and should report to the White House on a regular basis on compliance with the urban location policy.

- Special consideration should be given to the location of government-owned contractor-operated facilities and projects (for instance, municipal solid waste conversion facilities) which the federal government helps finance and which result in fixed assets. Six months prior to anticipated publication of a program research and development announcement (PRDA), a program opportunity notice (PON), or a request for proposal (RFP), a presolicitation announcement should be published in the Commerce Business Daily advertising that preference will be given to projects locating fixed assets in distressed areas. The requirements of the the labor surplus area and urban location programs should be considered jointly.

The White House must stress the importance of a more comprehensive approach to implementation of the urban location policy with GSA and other agencies -- including the Department of Defense. Unless GSA and these agencies more vigorously implement the policy, the potential of the program will not be realized.

I. BACKGROUND

President Carter, recognizing the growing economic problems of many of the nation's urban areas, announced his urban policy initiatives in March 1978. In August of that year, he signed four executive orders designed to change federal policies that were contributing to the distress of urban centers and to establish the federal role in revitalizing those areas. Executive Order 12072 directed federal agencies to locate federal facilities and personnel in the central business districts of central cities, particularly distressed ones, whenever possible.

The federal government has long been aware that decisions regarding the location of federal employees and facilities affect the economies of local areas. As early as 1952, the placement of federal facilities was recognized as a tool that could be used to stabilize economically distressed areas. Defense Manpower Policy Number Four, issued in that year by the Office of Emergency Preparedness, encouraged the targeting of both federal procurement and facility locations to areas of high unemployment ("labor surplus areas," in the language of the policy). What has never been made clear is how extensively location decisions should be used to counteract the prevailing exodus from central cities and economically distressed areas by both private industry and the federal government.

Recent reports continue to document the steady erosion of employment in older industrial areas and have underscored the importance of counteracting prevailing trends. A Labor Department study which documents regional shifts in population and employment opportunities as well as population migration summarized the problem as follows:

> . . . migration of population and employment is much more than a demographic curiosity. With recent migration have come changes in the locus of both economic and political power, and a shift of concern from the future of the South to that of the North. The problem of urban decline in the northern industrial areas in the 1970's is just as compelling an issue as were the problems of poverty and economic backwardness in the rural South which have been a national concern throughout much of this century.[1]

As central cities lose employment opportunities, the migration of younger and more educated workers reduces the tax base, putting additional strain on the public sector since basic social and other local services must be supported by a shrinking percentage of the population. Local governments with inadequate revenues to support these social services increasingly have turned to the federal government for assistance.

Decisions to locate federal facilites in central cities are concrete expressions of commitment by the federal government to their economic well-being. The impact of such decisions can go far beyond the direct effects on income, employment, and investment accompanying the establishment of federal operations in a region. This commitment, if properly utilized by federal, state, and local officials, can induce private investment in urban revitalization.

The current administration has recognized the importance of reversing patterns which add to the distress of central cities. After a short discussion of the problem of distressed urban areas and the federal role in both its causes and its solutions, this report addresses the potential benefits of the urban location policy, patterns of the policy's implementation to date, and recommendations for increasing its effectiveness. The report addresses the role of the General Services Administration (GSA) in implementing federal location policies in detail. GSA is the government's major landlord; although this agency directly controls the space decisions affecting only one-third of the federal civilian workforce, it also has oversight responsibility for decisions made by all other civilian agencies with space acquisition authority.

The Problem

The migration of people and jobs out of central cities has contributed directly to a number of related problems: dispersed land use; inefficient use of energy; "boomtown" economies in some areas of the country, and abandonment of buildings and extensive infrastructure investments in others.

The decline in the industrial base of older central cities has been well recognized for many years. For example, a 1969 Labor Department study revealed that from 1954-1963, the 24 metropolitan areas with populations of at least one million lost more than 500,000 jobs in manufacturing, trade, and service industries in their central cities.

In addition, jobs in manufacturing and retail trades had the strongest pattern of movement to the suburbs, and these were precisely the jobs needed most by the central city residents left behind. For example, 80 percent of finance, real estate, and insurance companies still were in central cities as late as 1968; yet, those and similar firms were less likely to have positions for relatively unskilled labor.[2]

More recent reports, however, have focused on the regional shifts of both population and employment opportunities, as well as the federal role in such shifts. Regional shifts in industrial growth reflect industry's perception that the South and West offer more favorable business climates for new offices or new plants. A recent Labor Department study documents the fact that employment opportunities have expanded twice as fast in the South and West as in the Northeast-Midwest region in the decade 1968-1978. The South and West received 12.3 million new jobs, an increase of 67 percent, in the last decade compared to only 6.1 million or 33 percent in the Northeast and Midwest.[3] The study concluded that one reason for the creation of new jobs in the South and West appeared to be that businesses believe there is a better business climate there. "States with low taxes, low levels of public assistance, restrictive labor legislation and low level of government debt had low scores indicating more favorable environments."[4]

This shift in the economy, moreover, has caused problems both for older urban areas that are losing employment opportunities and for newer "boom" towns in the South and West. According to Dallas City Councilman Lee Simpson, growth patterns have created their own problems:

> When you look at the Sun Belt cities which have exploded in the past twenty years, you realize how terribly dependent they are on the automobile for commerce; it's the lifeblood of a city; you realize how

> vulnerable your economy is, not only to an interruption in the fuel supply, but to the effect of higher costs when you have the kind of dispersed land-use pattern we have.[5]

The sprawling land-use patterns that have developed over the last three decades have been built to a large extent on the American dream of the single family house served by the automobile. Land to build this kind of housing traditionally has been cheaper on the fringes of urban areas and in less developed regions of the country. However, increased attention is being paid to the oftentimes hidden costs of such development. In recent congressional testimony, James S. Roberts of Resource Planning Associates, Inc., pointed out the heavy price associated with sprawling land use patterns: loss of prime agricultural land, forests, and land with mineral reserves and fossil fuels; an increase of up to 44 percent for the cost of infrastructure; an increase up to 30 percent in energy consumption, and less efficient use of urban services which have to be extended into the countryside.[6]

Yet the high cost of this inefficient use of resources also contributes to structural unemployment in central cities. Representative Henry Reuss (D-Wisc.), Chairman of the House Committee on Banking, Finance and Urban Affairs, pointed out that a substantial fraction of our unemployed labor force is not within the reach of traditional demand-induced increases in employment.

> In part, this is because we have neglected a whole generation of teenagers and young adults, who are undereducated, undermotivated, and conditioned by experience to expect the worst from private employers, and <u>in any case living in decayed urban centers unconnected by mass transit to the suburban sources of good, regular jobs</u>. . . .
>
> In part, this is because our new manufacturing industries are locating in the South and West, away from the unemployed of the Northern cities, but within reach of millions of immigrant workers from Mexico and Central America. We are, increasingly, importing our marginal workers, while by-passing the unemployed we already have. . . .[7] (emphasis added)

Reuss and others have called for a major initiative to "reindustrialize America," concentrating particularly on the nation's older, industrial urban centers. A parallel effort to upgrade the public-sector infrastructure of distressed cities also is needed. The federal government's facility siting practices can play an important role in both efforts.

The Federal Role

The effect of the federal government on the economic growth and stability of various regions has been receiving increased attention as a result of shifts in economic well-being in the nation: the recent Labor Department study for example, pointed out that regional shifts were produced not only by comparative advantages between regions but also by public policies.[8] Furthermore, much of the geographic impact of federal programs and policies is unintentional. Defense policies, in particular, have had a substantial effect, according to the Labor Department's and other

studies.[9] Science and research policies result in economic advantage to selected regions, but in addition virtually all federal programs -- welfare policy, energy policy, transportation and water resources policy -- have definite geographic impacts.

Prior to President Carter's 1978 urban initiatives, GSA's own policies, following guidelines established by the previous Executive Order 11512 (July 1970), justified location decisions favoring development of new communities. E.O. 11512 required that:

> Consideration is to be given in the selection of sites for Federal facilities to the need for development and redevelopment of areas and the development of new communities, and the impact a selection will have on improving social and economic conditions in the area.

Further clarification of this general policy is found in the Urban Growth and New Community Development Act of 1970, which established a national urban growth policy. Its intent was to provide for "national, orderly, and efficient economic growth, development and redevelopment of cities, counties and towns in predominantly rural areas which show a special potential for accelerated growth." This emphasis was reassessed in the Housing and Community Development Act of 1977, which changed the language from a "national urban growth policy" to a "national urban policy," symbolizing a shift away from the development of new growth areas to an emphasis on alleviation of physical and economic distress in central cities.

A 1979 Northeast-Midwest Institute report, The Location of Federal Civilian Employees: Policies, Procedures, and Practices, documented the movement of federal officials and employees out of central cities during the decade 1966-1976.* Overall, federal civilian employment within the 199 metropolitan areas studied increased by 24,200 during that period, while central city federal civilian employment decreased by 41,700.[10] The report found a strong relationship between economic distress and loss of federal civilian employees in central cities.** The total loss for economically distressed areas was 93,000 federal civilian employees. Non-distressed central cities over the same period showed a net gain of 51,300.[11]

To determine if there was a pattern of locating federal employees away from larger metropolitan areas to smaller cities, the 199 study cities were divided into three groups based on population size: the 25 largest cities in one group, the next 50 largest cities in the second group, and the

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*This and the previous report examine the distribution of federal employees rather than the location of federal facilities, because this data provides a more precise and useful indication of the impact on local economies and employment opportunities of federal siting decisions. The location of a federal warehouse, for example, will have less of an impact than a regional office, although the size of the regional office building may be smaller.

**Distressed cities were defined according to criteria developed by the Treasury Department for eligibility under the Industrial Development Bond and Differential Investment Tax Credit provisions of the administration's urban program.

remaining cities in the third group. Within each group, economically distressed cities were compared to non-economically distressed cities. By far the greatest loss in central city federal civilian employees was found in the 14 economically distressed cities in the first group. These cities lost a total of 84,100 federal civilian employees between 1966 and 1976, while the 11 non-distressed larger cities gained 5,500. During the same period, the 20 distressed cities in the second group lost 1,300 employees while the 30 non-distressed cities gained 25,300. In the last group, 49 distressed cities lost 7,500 while non-distressed larger cities gained 20,400 federal civilian employees.[12]

Regional Trends. The Northeast-Midwest Institute's 1979 report also presented statistics on employment by region for selected standard metropolitan statistical areas (SMSAs) and central cities in both absolute numbers and in terms of net change.

During the decade 1966-1976, the 18 states of the Northeast-Midwest region -- the older, industrialized belt of the nation -- suffered a loss of 68,790 federal civilian employees from central cities -- 15.1 percent of total central city federal civilian employees in the region's cities.

During the same period, the 14 Southern states realized a gain of 17,182 federal jobs in central cities, an increase of 5.4 percent. Central cities in Western states gained 6,927 federal civilian employees, an increase of 2.2 percent.

The Mid-Atlantic states were affected most severely in the past decade, losing 24,303 total federal employees from SMSAs and 45,498 from central cities. The Midwest suffered a loss of 9,299 from SMSAs and 16,219 from central cities. New England was third, losing 4,872 from SMSAs and 7,073 from central cities. SMSAs in the South and West gained 24,512 and 5,480 federal civilian employees. Both the South and the West also had increases in the absolute number of employees located in central cities: the South gained 17,182 and the West 6,927.[13]

It has been suggested that population shifts may account for these regional disparities in federal civilian employee location during the past decade. However, according to a Congressional Research Service (CRS) study, the regional distribution of federal civilian employees substantially exceeds the regional shift of population.[14] Chart I demonstrates that, based on the rough "benchmark" of population, regional equity was not achieved 25 years ago, and this inequity actually has gotten slightly worse in the interim. More recent data suggests that the regional patterns documented by CRS for the period 1950-1975 have continued.

While the levels of civilian personnel for the Department of Defense and the Postal Service have declined sharply over the last three years, other civilian agencies have expanded. However, the loss of Postal Service and civilian defense personnel in the Northeast-Midwest region has not been offset by an increase in other federal personnel to the extent of the South, which gained substantially, or the West, which lost more moderately.

Chart 1

REGIONAL DISTRIBUTION OF POPULATION AND FEDERAL CIVILIAN EMPLOYMENT

1950-1975

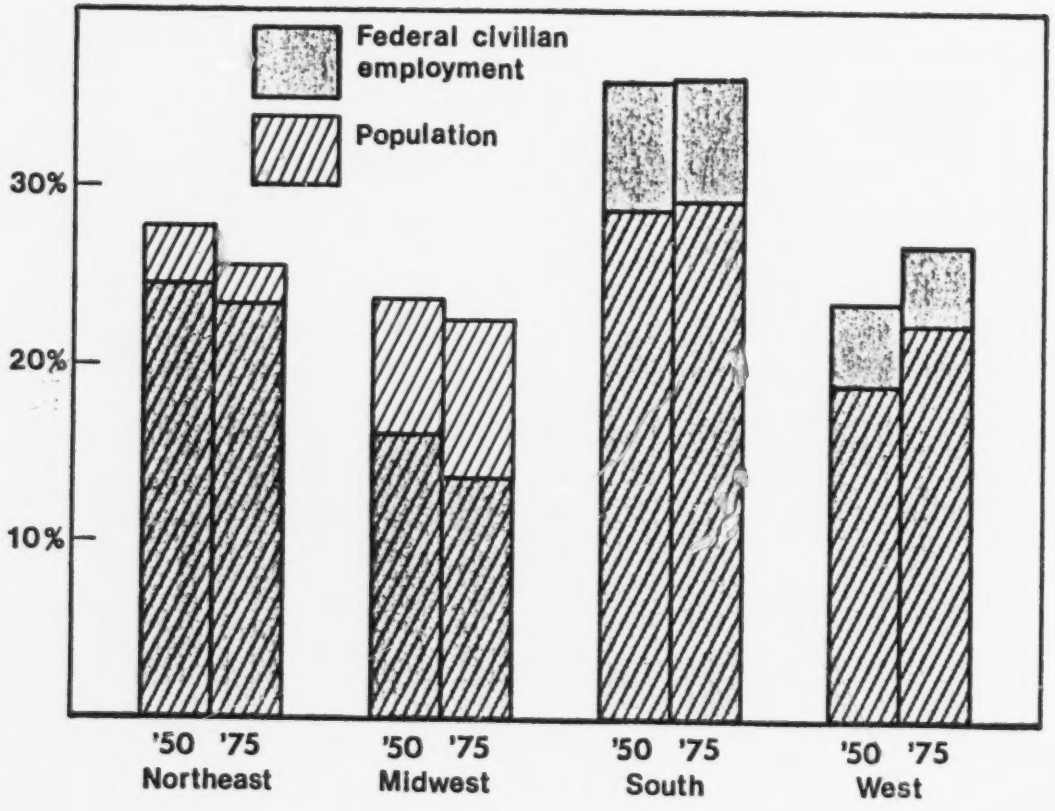

TABLE 1

FEDERAL CIVILIAN EMPLOYEES
REGIONAL LOCATION TRENDS
1975-1978

	1975	1978	Net Change
Northeast-Midwest	1,000,018	974,064	-25,954
South	805,637	821,807	+16,170
West	728,681	719,223	-9,458
D.C.	203,821	208,051	+4,220
TOTAL	2,738,167	2,723,145	-15,022

SOURCE: U.S. Office of Personnel Management, Federal Civilian Work Force Statistics, Annual Report of Employment by Geographic Area, December 1975, and Federal Civilian Workforce Statistics; Annual Report of Employment by Geographic Area, December 1978.

Although it is impossible to determine from such aggregate data the exact patterns of decrease and growth indicated by the figures tabulated above, the changes in agency personnel over the last three years highlight some of the trends:

Tennessee Valley Authority	+17,186
Health, Education and Welfare	+13,633
Veterans Administration	+11,221
Energy	+10,503
Agriculture	+8,638
Labor	+7,877
Commerce	+4,349
Justice	+3,520
Environmental Protection Agency	+1,904
Treasury	+1,736
Transportation	+1,203
Housing and Urban Development	+1,143
Post Office	-42,774
Department of Defense	-46,107

Regional inequities are evident in the data showing the current distribution of employees in GSA-controlled space. The Northeast-Midwest region, with 46.2 percent of the nation's population, has only 38.8 percent of federal civilian employees, or 253,000. The South, with 30.0 percent of the nation's population, has 34.1 percent of the employees, or 222,000, and the West, with 23.3 percent of the population, has 27.1 percent of the work force, or 177,000. Together the South and West, with 53.3 percent of the population, have 61.2 percent of the employees located in GSA-controlled space (see Table 2).

TABLE 2

LOCATION OF GSA-HOUSED EMPLOYEES
(Excluding Washington, D.C.)

	Number	Percent
Northeast-Midwest*	253,221	38.8
South**	222,239	34.1
West	176,860	27.1
Total	652,320	100.0

*Including Maryland sections of the Washington, D.C. SMSA.

**Including Virginia sections of the Washington, D.C. SMSA.

SOURCE: General Services Administration, Office of Space Management, Public Buildings Service, Report on Government Employee Population by SMSA, March 18, 1980.

When viewed in the context of the prevailing geographic patterns of DOD military and civilian employment, these inequities are even more serious than a first glance might suggest.

The migration of Defense Department employees out of the Northeast and Midwest to the South and West also has been well documented. The resulting concentration of defense personnel in the South and West -- which continues unabated today -- is illustrated in Table 3.

TABLE 3

REGIONAL DISTRIBUTION OF DEFENSE DEPARTMENT PERSONNEL - 1979

	NE-MW	SOUTH	WEST	D.C.
Distribution of National Pop.	46.2%	30.0%	23.3%	0.3%[15]
DOD Civilian Personnel	26.6%	33.8%	30.5%	8.8%
DOD Military Personnel	12.9%	46.5%	36.2%	4.3%[16]

SOURCE: Department of Defense, OASD (Comptroller), Directorate for Information Operations, "DOD Personnel and Total Population of the United States (Active Duty Military and Direct Hire Civilians) as of September 30, 1979," February 1980.

These trends in both the Defense Department and among civilian agencies have resulted in serious inequities in the distribution of federal employees.

II. POTENTIAL BENEFITS OF THE URBAN LOCATION POLICY

The administration's policy of locating federal facilities in central business areas or districts (CBAs) resulted from a general recognition of the long-range consequences, in both economic and human terms, of the abandonment of urban resources. It is one part of an urban program designed to redress federal policies that have contributed in the past to the erosion of urban area economies.

The greatest economic development impact per dollar of public investment is achieved when public money "leverages" additional private investment. Although the urban facility location policy, which establishes priorities for the location of federal personnel, does not directly leverage private dollars, when carefully and thoughtfully used by creative local public- and private-sector leaders it can encourage private investment.

One factor limiting the potential of the administration's federal facility location policy is that it directly affects less than 43 percent of the total federal civilian workforce. GSA houses 32 percent of federal civilian employees and oversees civilian agency location decisions affecting an additional 11 percent of civilian personnel. Two of the government agencies with the largest workforces -- the Postal Service and the Defense Department -- are exempt from direct compliance with the policy, although they are required to comply whenever possible. Defense Department location decisions are made by the Pentagon for almost all of its employees with no GSA involvement of any kind. GSA has negotiated a Memorandum of Understanding with the Postal Service encouraging USPS to consider location decisions cooperatively. However, the Postal Service is not required to comply directly with the national location policy. Overall, then, less than half the federal workforce is required to be located under urban location guidelines and less than a third is housed by GSA (see Table 4).[17] Moreover, agencies themselves specify the geographic location for new federal offices when they request additional space from GSA. This further limits GSA's ability to provide for regional equity and central business district locations in distressed urban areas.

The potential of the policy also is limited because the federal civilian workforce is not expanding appreciably; it increased by only 0.49 percent over the decade 1968-1978.[18] The Administrator of General Services recently estimated that total space occupied by federal personnel has increased only 10 percent over the last ten years.[19] Therefore, the potential for better targeting in the program comes from shifting federal needs and possibly relocating employees currently in leased space. For employees now occupying leased space outside of central business districts, it is a question of what percentage must be located there in order to perform their work efficiently and effectively. This determination must be made on a case by case basis, and it is virtually impossible to establish such a percentage *a priori*.

TABLE 4

FEDERAL EMPLOYEES CLASSIFIED BY TYPE OF AUTHORITY
UNDER WHICH THEY ARE PROVIDED WITH OFFICE SPACE*
1978

	Total Federal Employees	Percent Civilian Employees	Percent Civilian & Military Personnel
GSA-Housed Civilian Employees	862,976	32%	21%
Agencies with Their Own Locational Authority	300,530	11%	7%
Postal Service	660,812	24%	16%
DOD Civilian	898,827	33%	22%
TOTAL CIVILIAN	2,723,145	100%	67%
DOD Military Personnel	1,347,304		33%
TOTAL CIVILIAN & MILITARY	4,070,449		100%

SOURCE: Office of Personnel Management, Federal Civilian Work Force Statistics, Annual Report of Employment by Geographic Area, 1978; Department of Defense, Distribution of Personnel by State -- By Selected Locations as of September 30, 1978; General Services Administration, Office of Space Management, Public Buildings Service, Report on Government Employee Population by SMSA, Run as of 3/18/80.

*These figures are subject to some error. The figures for GSA-housed employees date from 3/18/80 and include some Postal Service personnel located in office space controlled by GSA. For example, in West Virginia SMSAs the Postal Service has 2,716 employees, 147 of which (8 percent) are in GSA-controlled space.

Over the last 12 years, GSA increasingly has used leased space to house federal employees.[20] To save money in the short run, the administration and Congress have given priority to leasing space over the purchase or construction of facilities, which require large initial outlays. The General Accounting Office (GAO), however, recently evaluated the costs and benefits of GSA's various acquisition policies and concluded that the costs are greater in the long run than if the equivalent space were owned by the federal government. GAO recommended government-owned facilities as the alternative to this use of leased space, which houses roughly 50 percent of federal civilian employees controlled by GSA.[21]

As a result of the GAO study and dissatisfaction with current GSA procedures, Senator Daniel P. Moynihan (D-N.Y.) has introduced legislation (S. 2080) designed to reform and reorganize GSA's public buildings program and to correct present trends toward increased use of leased space. By strengthening GSA's authority and setting realistic goals for increasing the inventory of government-owned buildings, S. 2080 provides GSA and the administration with a means for cutting leasing costs (see Appendix B).

Record of Achievement Under Urban Location Policy

Since E.O. 12072 was issued in August 1978, GSA has sent monthly reports to the president detailing some of its location decisions. However, these reports are inadequate for a number of reasons.

- o GSA officials have stated that the agency makes 1,600-1,700 lease decisions per year. Yet for the 18 months between February 1979 and July 1980 for which reports are available, only 317 leasing actions were reported to the White House, or roughly 13 percent of the total.[22]

- o Instances of what appeared to be multiple reporting of the same location decisions were noted in the Institute's review of the GSA reports.

- o The reports do not differentiate between new agency requests and lease renewals. An analysis of current siting decisions for CBA locations and regional trends would be possible from the former data, while the latter would indicate the extent to which offices and personnel were being moved downtown when leases expire.

- o GSA's own figures on total actions taken in central business areas, and numbers of personnel located there, include all decisions affecting personnel in the Washington, D.C. SMSA, whether they were located in Gaithersburg, Maryland, Fairfax, Virgina, or Washington, D.C.

Because of the inadequacy of the available data, it is impossible to determine the extent to which the urban location policy has made a difference in location decisions affecting urban areas. However, the data presented in Table 5 summarizes the number of actions taken and employees affected by the decisions reported to the White House. When Washington, D.C. figures are left out, the 1979 data indicates that 70 percent of space actions reported, involving 74 percent of affected employees, resulted in central business area locations. The figures for 1980 are lower -- 58 percent of the actions, involving 57 percent of affected personnel, favored central business districts.

TABLE 5

WHITE HOUSE REPORTS
ON CENTRAL BUSINESS AREA LOCATIONS*
FEBRUARY 1979 - JULY 1980

	CBA				NON-CBA			
	Actions	%	Personnel	%	Actions	%	Personnel	%
1979	117	69.6	2,748	73.9	51	30.4	969	26.1
1980**	47	58.0	1,042	56.8	34	42.0	792	43.2

*Excludes decisions affecting the Washington, D.C. metropolitan area, multiple listings of same decisions, and all lease extension actions taken pending relocation to the CBA.

**Includes December 1979.

TABLE 6

REGIONAL TRENDS OF WHITE HOUSE REPORTS
FEBRUARY 1979 - JULY 1980*

	Actions	%	Personnel	%
Northeast-Midwest	42	14.7	1,307	16.8
South	86	30.1	1,686	21.6
West	121	42.3	2,558	32.8
D.C. Metro	37	12.9	2,241	28.7
Total**	286		7,792	

*Prior to February 1979, the reports did not list number of personnel affected. The July 1980 report was the last one compiled as of October 1980.

**This excludes decisions reported where leases were extended at present location pending future action to relocate in CBA and those which appeared to be multiple listings of the same decision.

Current Location of the GSA's Controlled Space

GSA provided the Institute with a computerized listing of all GSA-controlled space in SMSAs. However, the statistics on central business area locations and regional patterns provided by GSA reflect only the current situation. Data on a yearly basis -- which is needed to measure the overall impact of the urban location policy -- is unavailable.

An analysis of data provided on space controlled by GSA indicates some potential for redevelopment in the nation's metropolitan areas. GSA provides space for 862,000 federal employees and has placed 795,000 in 285 of the national total of 288 SMSAs. Nationally, 568,000 federal civilian employees or 71.4 percent are housed in distressed or non-distressed central business areas compared to 227,000 or 28.6 percent in non-central business areas. If the Washington, D.C. SMSA is excluded, 425,000 (78.8 percent) are in CBAs and 114,000 (21.2 percent) are in non-CBA locations (see Table 7-A). Of the total employees in GSA controlled space:

- o 330,000 of these employees or 86.4 percent are in leased space in SMSAs with at least one distressed city, and of these, 125,095 or 32.7 percent now are located in non-central business areas (see Table 7-B);
- o 201,000 are housed in leased space in SMSAs with a distressed central city; and
- o 56,000 or 28 percent of these employees are located outside central business areas in SMSAs with at least one distressed city.

TABLE 7-A

FEDERAL EMPLOYEES IN GSA-CONTROLLED SPACE

	Total	Total in Leased	Leased Space	
			CBA	NON-CBA
Northeast*	176,868	97,749	40,023	57,726
% of total	27.1%	30.4%	21.4%	42.7%
Midwest	76,353	23,949	18,331	5,618
% of total	11.7%	7.4%	9.8%	4.2%
Northeast-Midwest*	253,221	121,698	58,354	63,344
% of total	38.8%	37.8%	31.2%	46.8%
South*	222,239	125,312	68,531	56,781
% of total	34.1%	38.9%	36.7%	42.0%
West	176,860	75,062	59,847	15,215
% of total	27.1%	23.3%	32.1%	11.2%
South & West*	399,099	200,374	128,378	71,996
% of total	61.2%	62.2%	68.8%	53.2%
National* Total	652,320	322,072	186,732	135,340
D.C. CBA	142,600	59,973	59,973	68,940

*Northeast and South totals include Washington, D.C. non-CBA, but exclude Washington, D.C. CBA.

TABLE 7-B

FEDERAL EMPLOYEES IN DISTRESSED SMSAs

	CBAs			Non-CBAs		
	Government-Owned	Leased	Total	Government-Owned	Leased	Total
Northeast	53,092	39,784	92,876	17,399	27,345	44,744
Midwest	45,304	17,386	62,690	4,727	5,554	10,281
Northeast-Midwest Total	98,396	57,170	155,566	22,126	32,899	55,025
South	41,904	49,289	91,193	4,159	9,949	14,108
West	58,136	38,428	96,564	15,177	13,307	28,484
South & West Total	100,040	87,717	187,757	19,336	23,256	42,592
D.C.	82,627	59,973	142,600	44,186	68,940	113,126
National Total	281,063	204,860	485,923	85,648	125,095	210,743

SOURCE: General Services Administration, Office of Space Management, Public Buildings Service, Report on Government Employee Population by SMSA, Run as of 3/18/80.

National Capital Region. Due to a lack of building space or leased office space in Washington, D.C., GSA has located many federal employees in suburban Maryland and Virginia. Of these employees, Virginia has 81,900 or 72.4 percent, compared to Maryland with 31,200 or 27.6 percent. Altogether, 61 percent of these employees currently are located in leased buildings (see Table 8).

TABLE 8

FEDERAL CIVILIAN EMPLOYEES IN WASHINGTON, D.C. SMSA

	Government-Owned	Leased	Total
Central City	82,627	59,973	142,600
Non-Central City: Maryland	8,474	22,747	31,221
Virginia	35,712	46,193	81,905
Total Non-Central City	44,186	68,940	113,126

How Federal Facility Siting Can be Used in the Urban Revitalization Process

The City of Baltimore offers an example of a creative local response to the administration's urban siting policy. Mayor William Donald Schaefer has made a strong commitment to redevelop Baltimore's inner city. Baltimore's retail district, a ten-square-block area west of Charles Center -- once the city's predominant shopping district -- has not rebounded from its long decline. "Despite all the talk about revitalization, progress has been anywhere from slow to non-existent," the Baltimore News American reported last year, noting that "the retail district is entering a critical point in its history."[23]

An important element of Mayor Schaefer's redevelopment plan is to coordinate the relocation of several federal offices into consolidated privately developed space in downtown Baltimore with the possible aid of an Urban Development Block Grant. The project has been delayed while the city waits for the General Services Administration to approve Baltimore's proposed relocation plan. GSA's action in approving the plan would be used to convince private investors to reconsider investing in the retail district.

The potential for revitalizing the area is clear. Roughly 122,500 office personnel work in and around Charles Center alone, an increase of 20 percent over 1976. An estimated 200,000 automobiles are driven downtown each day and 240,000 people ride buses that stop in the retail district. Despite this potential, the exodus of city residents to the suburbs, loss of downtown branches of major stores, and an image of downtown Baltimore as dirty and crime-ridden has caused the district to continue losing business.

City officials are confident that in the long run the economics of energy conservation made possible by Baltimore's mass transit system and other public transportation in the area will make redevelopment attractive. But many private investors are waiting to see the results of the city's efforts to relocate federal offices now on the fringes of the Baltimore SMSA to the downtown area.

Local officials took the initiative in this plan by surveying the current location of federal offices in the SMSA, along with their lease expiration dates, to come up with a list of possible candidates among federal offices for relocation under the urban policy.

GSA officials have been generally supportive but slow to act: a year has elapsed since city officials first approached GSA with their proposal. GSA personnel in Region 3 and in the National Capital Region have been conducting a joint study to consider relocating a portion of all new space requests for Washington, D.C. to other major cities in Region 3. Consideration also is being given to relocating existing offices from suburban Baltimore to the downtown area when leases expire. However, GSA has cautioned Baltimore officials that the agencies involved tell GSA where they need to be located in order to perform their mission efficiently, so GSA has limited authority to make relocation decisions.

GSA's slow response to Baltimore's request seems particularly disturbing given the present distribution of federal employees in the Baltimore SMSA. By GSA's own figures, Baltimore currently has 6,461 federal employees located in the central city. Another 15,082 are located in leased space outside the central city (see Table 9).

TABLE 9

FEDERAL CIVILIAN EMPLOYEES IN BALTIMORE SMSA

Central City			Non-Central City		
Government-Owned	Leased	Total	Government-Owned	Leased	Total
2,788	3,673	6,461	11,699	15,082	26,781

SOURCE: General Services Administration, Office of Space Management, Public Buildings Service, Report on Government Employee Population by SMSA, Run as of 3/18/80.

Despite its potential, the city's retail district continues to languish. Yet here is a city which has taken the initiative to rebuild a distressed section by "leveraging" private investment with a federal commitment to its downtown area. The plan is designed to accomplish precisely what the administration's urban location policy was meant to do.

III. GSA PROCEDURES: SPACE UNDER DIRECT CONTROL

The urban location policy stressed the importance of using the location of federal facilities to conserve urban resources and aid in the development and redevelopment of cities. Executive Order 12072 emphasizes three points regarding space decisions:

- o serious consideration is to be given to the impact a site selection would have on improving the social, economic, environmental, and cultural conditions of the community;
- o central business districts and adjacent areas of similar character recommended by local officials are to receive first consideration; and
- o location decisions are to be compatible with state and local development and redevelopment plans.

GSA issued directives in April 1978 to its regional personnel implementing the federal location policy within its own organization to meet the requirements of the urban policy. However, with respect to other agencies and local officials, the agency has failed to play an advocacy role in implementation of the policy. This chapter describes steps taken by GSA and other agencies to implement the program, identifies apparent barriers to successful implementation, and makes recommendations.

A number of personnel changes, including the appointment of a new administrator of the GSA, have slowed progress considerably over the past year. Preliminary regulations implementing the urban location policy were issued in March 1979. Final regulations were published over a year later (June 2, 1980). These regulations were modified in response to considerable public and congressional comment; they also were modified to reflect a new administrator's interest in keeping any additional expense to the federal government for moving downtown at a minimum.

Originally, the future of the urban location policy seemed bright. Under Jay Solomon GSA took an aggressive role in implementing it. In April 1978, GSA's Commissioner of the Public Buildings Service instructed all regional commissioners in implementation of E.O. 12072. Whenever possible, the commissioners were to acquire, assign, and reassign space in the central business area and adjacent areas of similar character. Offices would be exempted from compliance with this policy under only two circumstances:

- o "Activities whose service area is a clearly defined sector of a city or a suburban or rural community, such as the SSA (Social Security Administration) Branch and District offices, IRS (Internal Revenue Service) field offices, Forest Service offices, Recruiting Stations, certain Department of Agriculture and Department of Interior activities, etc.

- "Cases where immediate compliance is not possible due to existing leasing commitments in areas outside the central business district. In these situations, plans must be made for future compliance (i.e., the agency will be relocated to the central business area upon expiration of the lease)."[24]

Mr. Solomon required headquarters review of all CBA waivers granted by regional administrators under these exemptions.

On August 18, 1980, only two days after the Executive Order was issued, GSA headquarters requested all regional commissioners to submit housing plans for all cities which had at least 100,000 square feet of GSA-controlled general purpose space, 20 percent of which was located outside the central business district. Studies were to be sent within 90 days to the Office of Space Management in Washington, D.C. so that GSA could analyze the potential impact of the Executive Order on GSA-controlled space. Studies of communities with less than 100,000 square feet of general purpose space were to be prepared and kept at the regional office level. Studies were submitted to GSA headquarters on 27 communities which met the criteria. Regional commissioners recommended a relocation of roughly 1.9 million square feet of office space within the 27 cities. Although no comprehensive report was prepared on the results of these surveys, GSA headquarters nevertheless concluded there was only a "fairly small relocation potential" under the urban location policy. GSA did not go ahead with any planning efforts designed to implement the urban location policy in a systematic way. According to GSA officials, nothing ever was done with the studies.[25] Instead, GSA relied on directives to regional personnel which stressed the priority to be given central business areas in location decisions.

The Institute reviewed the GSA inventory and identified 38 cities with over 100,000 square feet of federal space, at least 20 percent of which was located outside central cities. In the 38 cities identified, 93,300 federal civilian employees were located in 32 million square feet outside central cities, with a total of 51,200 employees located in leased space outside the CBAs of these cities (see Table 10). While these figures cannot be analyzed by the Institute to determine the relocation potential, the data does indicate the need for a serious restudy and reevaluation of GSA's conclusion that only a "fairly small relocation potential" exists.

Although GSA did not identify the number of personnel working in the 1.9 million square feet of office space recommended for relocation in the 27 cities studied, even that figure indicates a potential for relocation which could be significant. If carefully planned, a relocation of several hundred federal employees can have an impact in redevelopment efforts even in larger urban areas. If you assume only one employee per 250 square feet, for example, a minimum of 7,600 employees could be relocated, representing roughly 300 per city, not an insignificant number. Although these are very rough calculations, it must be kept in mind that GSA assessment of the relocation potential of the program appears to have been based on such rough calculations. What is required is much more thorough and comprehensive assessment of the potential, to be carefully analyzed by the administration, Congress, and local officials.

During Mr. Solomon's administration a location decision involving the relocation of the Western Area Power Administration (WAPA) received considerable public attention because it had important implications as a test case for the policy. WAPA was temporarily located in Golden, Colorado; the controversy was over the permanent location for the office. The Department of Energy consistently supported the location of WAPA in close proximity to the Bureau of Reclamation (BR) in Lakewood, a suburb of Denver. The chronology of events was as follows:

- In May 1978, the GSA regional administrator of Region 8 recommended that WAPA be located close to the Bureau of Reclamation.

- In August of 1978, after review by GSA central staff, Mr. Solomon wrote to DOE Secretary Schlesinger, denying the request to locate WAPA outside the central business district because coordination of WAPA activities with BR was not a sufficient requirement, and space was available in the central business district of Denver at reasonable prices.

- In a follow-up meeting a draft letter was given to Mr. Solomon by DOE reiterating a request for space near BR and stating that the space required by WAPA had increased from 38,000 square feet to 57,000 square feet.

- In August, GSA regional staff prepared a fact sheet which concluded that WAPA had satisfied the justification for locating outside the CBA and that there was not adequate space in the CBA at a reasonable price.

- In October, the Department of Energy wrote to GSA requesting reconsideration of the WAPA decision.

- In November, Mr. Solomon denied DOE's request for reconsideration.

- In December, the Department of Energy appealed to the Office of Management and Budget to reverse the GSA decision.

- In March 1979, OMB reversed the GSA decision and instructed GSA to seek long-term space for WAPA in proximity to the Federal Center in suburban Denver.

- In May, OMB reversed its initial decision on the grounds that:

  1) a downtown location would add not more than approximately five miles to the distance WAPA personnel already need to travel to maintain contacts with the Bureau of Reclamation;

  2) communications between WAPA and BR can be handled to a large extent by telephone and mail; and

  3) a downtown location, whether in or outside the central business district, would be consistent with the intent of the urban policy.[26]

TABLE 10

EMPLOYEES OUTSIDE CBAs OF SMSAs MEETING GSA PLANNING CRITERIA

	Employees in Leased Space	Total Employees	Total Square Feet
NORTHEAST-MIDWEST			
Fort Wayne, IN	9	20	518,832
Louisville, IN, KY	52	2,135	853,330
Baltimore, MD	15,082	26,781	5,730,375
Boston, MA	1,707	2,739	1,169,132
Lawrence-Haverill, MA, NH	3	3,595	334,771
Duluth-Superior, MN, WI	86	109	27,675
Minneapolis-St. Paul, MN, WI	533	2,556	564,714
Long Branch-Asbury Park, NJ	4,150	4,150	552,502
Jersey City, NJ	104	137	484,298
Newark, NJ	1,280	1,623	2,603,651
New Brunswick-Perth Amboy-Sayreville, NJ	20	60	878,976
Trenton, NJ	257	257	32,081
Nassau-Suffolk, NY	5,898	5,898	821,829
Cincinnati, OH, KY, IN	516	3,203	517,472
Toledo, OH, MI	127	140	68,290
Harrisburg, PA	30	74	328,744
Northeast, PA	1,733	1,887	337,047
Northeast-Midwest Total	31,587	55,364	15,823,719
SOUTH			
Fort Lauderdale-Hollywood, FL	102	669	236,538
Miami, FL	696	804	230,112
West Palm Beach-Boca Raton, FL	125	125	48,751
Atlanta, GA	5,367	5,661	2,070,967
New Orleans, LA	768	779	532,942
Charleston-N. Charleston, SC	742	742	155,232
Knoxville, TN	109	698	146,068
McAllen-Pharr-Edinburg, TX	105	109	31,850
South Total	8,014	9,587	3,452,460

TABLE 10
(continued)

	Employees in Leased Space	Total Employees	Total Square Feet
WEST			
Anaheim-Santa Ana-Garden Grove, CA	100	1,076	933,311
Los Angeles-Long Beach, CA	2,793	4,207	2,278,684
San Francisco-Oakland, CA	2,053	4,491	1,343,370
San Jose, CA	453	453	120,961
Denver-Boulder, CO	5,311	12,462	4,221,201
Topeka, KS	0	10	328,084
Eugene-Springfield, OR	221	221	30,355
Salt Lake City-Ogden, UT	71	4,199	1,398,303
Seattle-Everett, WA	402	1,066	1,703,005
Yakima, WA	209	210	47,355
West Total	11,613	28,395	12,404,629
TOTAL	51,214	93,346	31,680,808

OTHER CITIES WITH SIGNIFICANT RELOCATION POTENTIAL

NORTHEAST-MIDWEST			
Chicago, IL	2,589	2,601	477,512
Detroit, MI	892	1,049	183,204
Philadelphia, PA, NJ	1,847	2,103	386,020
Pittsburgh, PA	463	541	96,196
WEST			
Sacramento, CA	417	420	95,009
San Diego, CA	446	464	93,867
Kansas City, MO, KS	611	815	217,339
Dallas, Fort Worth, TX	424	691	191,974

SOURCE: General Services Administration, Office of Space Management, Public Buildings Service, "Report on Government Employee Population by SMSA," March 18, 1980.

The outcome of the WAPA case was considered a compromise by GSA officials. GSA extended WAPA's present lease while agreeing to develop a prospectus for a federal construction project in downtown Denver. A moratorium on all building projects is in effect pending Senate passage of legislation which would revise GSA's funding procedures. Thus the building project, subject to congressional approval, will take many years to complete. In the interim WAPA will remain where it currently is located.

The WAPA case raised several issues of concern in urban siting decisions: the cost to the federal government resulting from relocation plans; the complexity of issues to be resolved in making location decisions; the importance of GSA headquarters review of regional decisions; the tenacity of agencies requesting specific locations, and the applicability of the policy in central cities with relatively limited available space.

Mr. Freeman, the new Administrator of GSA, expressed his concern about implementing the federal location policy without regard to the additional cost to the federal government. While underscoring his commitment to the policy, he reportedly told the National League of Cities in September 1979 that "the Carter executive order was being enforced 'blindly' when he took over the agency," and "quantitative reasoning" should be used to put decision making on a more orderly basis.[27]

In August 1979, GSA made another location decision which was controversial for several reasons. GSA leased office space in a new state office building in downtown Ft. Smith, Arkansas, for five federal offices which previously had been located outside the central business area. The decision was criticized by GAO for the following reasons:

- the space acquired by GSA represented a 40 percent increase in rental costs;
- two of the agencies -- the Social Security Administration and the Internal Revenue Service -- objected to the relocation, which they claimed moved their offices further away from the population center they served;
- parking spaces are difficult to find within reasonable walking distance of the location. SSA pointed out that 1/3 of its clients were disabled or handicapped. There is no public transportation system in Ft. Smith; and
- downtown Ft. Smith is congested with traffic, making it difficult for SSA clients who are elderly, handicapped, or disabled to get around.

GAO pointed out in its report that GSA is required to obtain the maximum possible competition in acquiring space. Although GSA identified four sites in the central business district on which a building could be constructed to house consolidated federal offices, GSA officials provided one offeror -- the Central Business Improvement District -- with information not shared equally with other potential bidders. GAO concluded that "GSA's close relationship with one offeror over a period of about three years may have been responsible for other potential offerors not making offers."[28] As a result, GAO claimed, GSA relocated the offices downtown in space 40 percent more costly than the previous facilities.

Prior to signing the lease, GSA had not prepared a cost analysis of the relocation. At the request of Senator Dale Bumpers (D-Ark.), GSA compared the costs of the two locations and reported that the downtown location would cost roughly 10 percent more than current locations -- significantly less than GAO later found.

On the basis of its findings, GAO recommended that GSA:

- require a cost comparison of alternatives prior to making location decisions and establish the acceptable level of cost differential the federal government is willing to pay to achieve urban location policy objectives;
- take steps to ensure maximum possible competition in acquiring office space; and
- ensure that relocation decisions do not adversely affect an agency's mission.[29]

Mr. Freeman changed the procedures for implementing the urban location policy in two substantial ways. In July 1979, he delegated to the regional administrators the authority to waive the requirement that agencies locate in central business areas, without GSA headquarters review. In addition, he later announced that the proposed cost effectiveness analysis procedures presented in a September conference with regional administrators would be incorporated into the final regulations, to be issued about December 1. Decisions not to locate in a central business area on the basis of a cost-benefit analysis were to be treated as waivers requiring only the approval of the regional administrator.[30]

Confusing and in Some Cases Contradictory Policies

As the two examples of controversial location decisions illustrate, GSA officials are being asked to implement a number of complicated and in some cases contradictory policies when making siting decisions. GSA officials must weigh the following considerations::

- efficient performance of missions;
- convenience of the public served;
- economy;
- consolidation of agencies in common or adjacent space;
- first priority for rural areas in siting decisions;
- access by public transportation as well as adequate parking;
- compatability with local development plans;
- availability of adequate low- and moderate-income housing on a non-discriminatory basis;

- o utilization of buildings of historic, architectural or cultural significance; as well as

- o location in central business district of central cities.

The final regulations published by the General Services Administration on June 2, 1980, made more explicit some of the priorities to be considered by GSA in determining appropriate locations of public facilities, specifically:

Economy: Cost-Benefit Analysis. The controversy over the WAPA siting decision and the Ft. Smith decision focused in part on the higher costs associated with moving downtown in a city with a comparatively tight real estate market. GSA's action on the WAPA decision prompted GAO to question the wisdom of having federal agencies compete with private industry for scarce space in downtown locations.

The final regulations require a cost-benefit analysis which compares the costs of relocation into the central business district to the costs of alternative locations that would be considered if there were no plans to relocate the activity into the central business district. These analyses also must take into consideration intangible benefits as well. In this regard, GSA has demonstrated a responsiveness to expressed concern over a weakening of the urban policy. In conducting cost-benefit analyses, GSA is required to compare estimated square foot market rents in the central business area and alternative locations, as well as other possible costs (see Appendix C for requirements).

If the cost of relocating an activity into the central business area exceeds by 15 percent the costs per square foot of the non-CBA locations, further study is required to identify the anticipated intangible benefits to the government and the urban area to be derived from locating in the CBA. In trying to determine possible benefits from a central location, GSA will consider whether the proposed relocation would further local redevelopment plans, improve the availability of nondiscriminatory low- and moderate-priced housing for employees, improve public accessibility, etc. (see Appendix D). This study then will be used to make a final decision on a proposed relocation.

GSA officials stated that although total compliance with the cost analysis requirement was not official until publication of final regulations in June 1980, the cost-benefit analysis actually was being used fairly widely subsequent to Mr. Freeman's memorandum to regional administrators.

GSA established the cost-benefit analysis requirement to more closely evaluate decisions to relocate in CBAs. Downtown locations generally cost 10 to 20 percent more than suburban sites, according to GSA estimates.[31] The procedure allows GSA to go ahead with a relocation when significant benefits to the local community are anticipated, even though the cost differential may be more than 15 percent. Nevertheless, the data compiled from the White House report suggest that the cost-benefit analysis requirement may have resulted in fewer agencies being moved downtown. However, GSA headquarters has no record of the number of decisions adversely affected by the cost analysis or the number of decisions for which further study was undertaken, and GSA officials indicated roughly 200 regional personnel would have to be contacted to compile such data.[32]

Rural versus Central Business District of Central City. GSA has clarified the apparent contradiction between the long-standing legislative priority of giving first consideration to rural areas in location decisions and the priority of locating in central business districts. In a Memorandum of Understanding, "Concerning the Location of Federal Facilities," signed in October 1979, GSA and the Department of Agriculture agreed to the following:

1. The Rural Development Act of 1972, as amended, requires that consideration be given to locating facilities in rural areas. The priority given to development and redevelopment of cities in the Executive Order is consistent with the requirements of the Rural Development Act because it concerns the location of agencies subsequent to considering the requirements of the Act.

2. The Department of Agriculture agrees that most of its offices and facilities above the county level can be located in the central business districts of urban areas where they are located. This includes all regional and state offices, certain research facilities, and all agencies whose operations don't require a specific rural location.

3. First consideration is to be given to housing county level field offices in federally controlled space in central business districts of urban areas and incorporated rural communities. However, space must be made available in a timely manner and provide for the need to co-locate with other agricultural offices. Otherwise, the primary locational consideration is to be the program requirements of the agencies and accessibility for their clientele.

Distressed City. The final regulations give GSA considerable flexibility in locating federal offices within an urban area. For the most part, GSA gives first priority to the CBA of the central city requested by the agency. GSA also may consider an area local officials have identified within the city that is not the central business district. Finally, if there is some discretion as to the location, GSA may consider the most distressed central city or another distressed city in the SMSA. Regulations now specify:

> In SMSAs with more than one central city, or in urban areas with more than one city, GSA may make new space assignments in the central business area of the most distressed city. In addition, consideration may be given to meeting space needs in other than central cities when the following conditions exist: (1) A city in an SMSA is not a central city but has over 50,000 population and (2) the level of distress in that city is determined by the Secretary of Housing and Urban Development to be equal to or greater than any of the central cities.[33]

As an example of this regulation's application, GSA has approved construction of a small facility in a distressed non-central city, Chester, Pennsylvania, which is within the Philadelphia SMSA. The offices that will be located in the building originally were planned for relocation to Philadelphia, the central city. However, after a request was made to GSA to consider the alternative of Chester, which is more distressed in most indices than the city of Philadelphia, GSA approved a Chester site.

However, two factors which also must be considered by GSA will substantially reduce GSA's ability to target facilities to distressed cities. The first is the strong tradition of honoring the requesting agency's choice of geographic location. The second is GSA's policy of consolidating agencies in common or adjacent space for the purpose of improving management and administration, which if given greater weight than targeting to distress will tend to contribute to current patterns of federal office locations. For example, if most of the federal offices are located in one non-distressed central city within an SMSA, there will be a tendency to relocate other offices into that location if space is available. This could reduce GSA's ability to target such relocations to the most distressed central city in the SMSA.

Similarly, government-owned buildings outside central cities may serve as a magnet for other offices. Information received from the Department of the Interior (May 19, 1980) provides an example of this. The Fish and Wildlife Service, Water and Power Resources Service, Inspector General, Advisory Council on Historic Preservation, and Heritage Conservation and Recreation Service all requested additional space on or near the Denver Federal Center located in Lakewood, Colorado. GSA exempted all except the Heritage Conservation and Recreation Service from the CBA requirement because of the need expressed by the requesting agency for "close working relationships with existing Interior organizations in Lakewood."[34]

In relation to this question, GAO commented that GSA's policy implementation applies to all cities, and thus does not "embrace the national urban policy principle of stretching available Federal resources by making the problems of people and places in the greatest need the first priority. It seems reasonable to expect that greater progress could be made in achieving the goals of the national urban policy if General Services' implementation was targeted to the distressed cities."[35]

Decentralized Decision Making

Although GSA has clarified the priority of a number of guidelines it must consider when implementing the urban policy, decisions still must be based on careful consideration of several factors. Yet these decisions are being made by widely dispersed, fairly low-level personnel. It is not known to what extent these personnel make an active effort to place federal offices in the most distressed city in an urban area. No attempt is made in the reports to the White House to identify decisions to locate in distressed as opposed to non-distressed CBAs.

Under former Administrator Solomon, GSA headquarters required all non-CBA decisions to be reviewed by the Administrator. Mr. Freeman, however, has delegated that review process to the regional administrators. Only decisions involving space needs of more than 50,000 square feet and budget allocations of $500,000 or more are now reviewed by GSA's Washington, D.C. headquarters, which then sends them to the Office of Management and Budget. OMB conducts an economic analysis of those decisions as they relate to consolidation, potential impact on the efficient functioning of the agency's missions and programs, and the economy expected as a result of recommendations. Congressional approval also is required for decisions involving more than $500,000.

In the WAPA decision, it was the Administrator of GSA who questioned the validity of the waiver granted by the regional administrator. Regardless of whether or not the Administrator was correct in intervening in that particular decision, it seems logical that the regional administrator is more likely than headquarters to be influenced by strong outside agency pressure to provide preferred locations. Such decentralization of decision making probably has weakened GSA's ability to implement the CBA siting policy.

Another problem with the changes in GSA's implementation procedures is the lack of effective monitoring of regional administrators' actions. GSA headquarters does not receive reports summarizing all actions taken by regional personnel. They apparently do not know how many decisions have been based on the cost-benefit analyses, nor do they know if in fact regional administrators have been conducting further studies of anticipated benefits to local areas when the cost-benefit analysis indicates relocation costs greater than 15 percent.

Without comprehensive reporting procedures, monitoring and evaluation of urban location policy implementation is impossible. Currently all space acquisition actions taken by GSA are recorded in a comprehensive data bank. The system could be programmed to provide the kind of readily accessible data required by decision makers in their continuing appraisal of implementation, but this has not been done.

Local Consultation

Though the final regulations discuss the role of local consultation in decision making, creative use of the urban policy ultimately depends in large part on the degree of initiative taken by local officials. If these officials choose appropriate areas, consider neighborhood and community concerns, and leverage private investment in the CBA, the siting of federal employees in a redevelopment effort will be greatly enhanced.

At present, GSA uses a number of planning procedures to fulfill its space needs. Although these reports would be of interest to local officials and could serve as a basis for joint local-federal planning efforts, GSA currently does not respond to local requests to initiate such studies. At the regional level, the operational planning staff which works directly under the regional commissioners is responsible for monitoring federal use of space and planning for consolidation of facilities whenever it is possible to increase the efficiency and effectiveness of the federal workforce. The documents produced in this planning process include the following:

- Real Property Inventory - GSA keeps a data file on all federal space by geographic area which includes the location, square footage, lease expiration dates, and number of employees of each facility.

- Federal Space Situation Report (FSSR) - The FSSR is the crucial GSA planning document from the city's point of view. For 97 percent of GSA's activities, the FSSR is the final planning document. It contains:

1. Community Profile, which includes, community economic characteristics, past and projected growth, development and redevelopment plans, and an analysis of the commercial rental market

2. Existing federal space situation

3. Current outstanding space requirements

4. Discussions of needed space actions

5. Discussions of alternatives, such as to maintain status quo, lease existing space, repair and alter a federal building, construct a federal building, purchase an existing building, and other alternatives

6. Long-range plans

7. Short-range plans

8. Environmental concerns

9. Historic preservation

10. Addenda, which include a list of persons contacted during the space survey and the development plans of the local community

The FSSR embodies the comprehensive planning approach and requires consideration of the cumulative effects of federal space needs in a community.

- o Project Development Report (PDR) - The PDR is a detailed internal document which elaborates on the FSSR, presenting a full analysis of alternatives when a project requires congressional authorization.

- o Prospectus - This five-six-page report is sent to Congress for approval of a specific building project.

- o Regional Planning Memorandum - The Memorandum, a simplified FSSR, is an informal planning document for smaller consolidations not requiring congressional approval.[36]

Though the FSSR is crucial for cities interested in combining federal relocation plans with local development projects, mayors of cities have been unable to get GSA to initiate this planning process at their request. According to a space management official, only 50-60 FSSRs are prepared in any one year, and only for proposals requiring congressional approval. FSSRs are prepared infrequently because GSA claims it doesn't have the staff to prepare additional reports. However, restricting the use of the FSSR to major projects leaves a planning gap that prevents a true partnership between local officials and GSA.[37]

Moreover, creative efforts by local officials sometimes are delayed and even curtailed by bureaucratic barriers at GSA. Baltimore's frustration in waiting for GSA approval of its proposed plan is a good example.

Furthermore, as pointed out in an October 26, 1979, letter to Mr. Freeman from Alan Beals, Executive Director of the National League of Cities, the present procedures leave no right of appeal by city officials who may disagree with decisions made by regional personnel. Mr. Beals suggested that GSA:

> Allow the affected local government the same right to appeal to you as the client agencies will have. This would establish in GSA procedures the clear message embodied in Executive Order 12072: the city has a stake in space assignment decisions just as the client agency does. The right of appeal could be limited to the city (or cities) in which the agency would be assigned space if the Order's directives were followed.

GSA's role in determining specific site locations for various requesting agencies has been strengthened as a result of E.O. 12072. GSA has, however, pointed out that since it is not a cabinet-level agency, it has less "clout" than many of the tenant agencies to which it provides space. The practical problems arising from the user agency's desire to protect its own territory cannot be ignored. Although agencies no longer have a formal appeal procedure above the GSA Administrator, agencies make informal appeals to both congressional committees and the president.[38]

To counterbalance federal agencies' interest in obtaining preferred locations, local officials from distressed cities should have an established appeal procedure. In addition, close White House oversight should be established to insure that local officials from distressed cities have equal weight in siting decisions affecting their cities.

Regional Equity

Congressional review of major leasing and construction projects is required by law, "In order to insure the equitable distribution of public buildings throughout the United States with due regard for the comparative urgency of need for such buildings."[39] This provision was designed to guarantee that one area of the nation did not acquire a disproportionate number of federal facilities. Congress, sensitive to the potential economic advantages of having federal facilities located in an area, set up a review procedure to prevent such inequities. However, review is required only for location decisions involving annual rental fees, new construction, or purchases involving at least $500,000.

Moreover, no evaluation is made by GSA of the overall regional distribution of federal civilian employees or the placement of federal facilities. GSA currently sends prospectuses for proposed individual building projects to congressional committees for approval throughout the year. Oversight on such a piecemeal basis makes it virtually impossible for Congress to address the regional equity of construction projects. It even prevents congressional evaluation of projects based on an overview of agency space needs -- even for one year. In addition, no comprehensive reporting is maintained by GSA on the regional distribution of personnel or space.

For all these reasons, the regional equity review process is completely ineffective.

Agency Requests

At present, agencies delineate the geographic area in which they wish to be located when they request additional space from GSA. Agency requests almost always are city-specific, and frequently locations are requested in a specific part of a city or urban area. Mission requirements usually are assumed to be the determining factor, with either a specific public to be served or proximity to other agencies or private offices requested. GSA rarely questions an agency's choice of a city unless a non-CBA location is requested. With the consultation and approval of the agency, GSA then decides where, within the requested area, space will be acquired. In choosing the building or building site, GSA generally is responsive to agency preferences, but it is required to accept the offer most advantageous to the government if the building meets federal standards. However, according to a 1978 GAO report, GSA has not always adequately considered the lowest offers. As the report stated bluntly, ". . .GSA was influenced by the requesting agencies in selecting offers for lease award."[40]

Thus, GSA has chosen to take a passive role relative to requesting agencies. Given the strong pattern of movement of federal employees to the South and West and inadequate procedures to evaluate regional patterns, leaving the basic choices to the agencies will make it difficult if not impossible for GSA to redress current regional imbalances or target facilities to distressed central cities in an SMSA. There is no reason to believe agencies will willingly surrender location choices at the city level to GSA without strong incentives to do so.

Since the forms used to request space from GSA provide for agency designation of the city and state, it is not clear that agency mission requirements always dictate city-specific requests. No justification for the city is required on the form, and there is no way to tell how many times agencies indicate a broader area or how many times GSA takes the initiative to suggest a different city than the one requested.[41]

IV. GSA PROCEDURES: SPACE NOT UNDER DIRECT CONTROL

The General Services Administration was directed by Congress to provide for civilian agency space needs in a uniform manner insuring efficiency, economy, and conformance with agencies' missions. Congress has given certain agencies their own space acquisition authority in recognition of their special needs and mission requirements. The Administrator of GSA also was given the discretion to delegate space acquisition authority to agencies when appropriate.

GSA selects the office space for roughly 32 percent of the civilian workforce. The two agencies with the largest workforce with their own space acquisition authority are the Postal Service and the Defense Department. Together they make siting decisions affecting 57.3 percent of the total federal civilian workforce. Other civilian agencies under GSA's oversight make their own space location decisions, which account for the remaining 11.1 percent of the civilian workforce.

Exemptions Allowing Agencies to Make Their Own Location Decisions

Beginning with the Public Buildings Act of 1949, legislative language which GSA has further interpreted in its regulations has specified exemptions to GSA-acquired space. In addition, the Administrator of GSA has been given the authority to delegate space acquisition authority to agencies for specific space needs or for general categories of space needs. To understand the present structure of exemptions, the legislative language and GSA's interpretation of it must be examined. Under GSA's regulations the following agencies have their own space acquisition authority:

- Veterans Administration for hospitals;
- Departments of Agriculture, Commerce, and Defense when space is outside an urban center;
- Department of the Treasury for the Comptroller of the Currency;
- Tennessee Valley Authority;
- National Aeronautics and Space Administration; and
- Department of Agriculture, Department of Commerce, Department of Defense, Federal Home Loan Bank Board, Department of Housing and Urban Development, Department of Justice, Tax Court of the United States, Veterans Administration, Department of Interior, Department of Health, Education and Welfare, Federal Communications Commission, and Department of Transportation (U.S. Coast Guard and Federal Aviation Administration) for special purpose space.*

*Such space is defined in the regulations as having certain architectural or functional features uniquely suited to the needs of the agency.

Appendix E details both the legislative language specifying exemptions and GSA's interpretation as included in the Federal Property Management Regulations (FPMR).

Exemption of the Postal Service and the Defense Department, because of their large workforces, is of particular concern to public officials who see the administration's urban facility siting policy as an important step in defining the federal role in urban preservation.

In a letter to the Office of Management and Budget (June 21, 1978), the National League of Cities pointed out that:

> The Order (E.O. 12072) must also be made clearly applicable to those agencies, such as the Defense Department and the Postal Service, in whose facility siting decisions GSA itself plays little or no part. Through both their size and widespread presence, such agencies present both great problems and opportunities for their host cities . . . .
>
> In order to monitor and assess the agencies' performance under this Order, we suggest that they all be required to report to the President and to the public periodically -- say, once a year -- on the location of their facilities, changes within the elapsed period of time, and the extent and the means by which these location decisions implemented the Order.

The League's Executive Director, Alan Beals, reiterated this point when asked about the importance of coordinating federal, state, and local urban programs by the Senate Committee on Public Works and the Environment (June 19, 1979).

> It is essential then, to tie these federal location decisions to broader development strategies. Milwaukee, for example, has recently received a HUD Urban Development Action Grant that is linked to the siting of a federal building. Similarly, Benton Harbor, Michigan, is seeking to rejuvenate various small businesses in its downtown with SBA loans in coordination with the relocation of a Social Security District office from an unincorporated area to the city.
>
> The same need for coordination and clear policy holds true for the facility siting policy itself. The purpose of the Executive Order will not be realized unless all federal agencies comply with the facility siting policy. The potential positive impact of the relocation of one agency to the central area of a city can easily be negated when a post office leaves the same central business area.

Postal Service

Under Section 15(a) of the Postal Reorganization Act and Section 410 of P.L. 91-375 (August 1979) the Postal Service is exempted from federal laws dealing with public or federal contracts, property, works, officers, employees, budgets, or funds.

However, in March 1979, GSA signed an agreement with the Postal Service for implementing the president's urban policy. The agreement states that the following principles will be followed:

> In order to better attain the goals of Executive Order 12072, "Federal Space Management," and the President's Urban Policy, the United States Postal Service and the General Services Administration agree to take steps to improve coordination of planning activities for new facilities in urban areas, including the following:
>
> A. In planning to construct a facility in a community, USPS and GSA will give preference to locating such facilities in the central business area unless the program requirements of the activities to be housed dictate that the facility be located elsewhere in the urban area.
>
> B. As early as possible in the planning of a project to be satisfied by new construction in a central business area, the planning agency shall notify the other agency of the proposed project . . . .[42]

The language is vague, however, and it is not clear what effect the agreement will have. Without a record of siting decisions made by the Postal Service, it is impossible to tell to what extent it has been complying with the policy.

Defense Department

The Defense Department is required to follow the urban policy whenever possible, according to Executive Order 12072. Specifically, the order states that "Executive agencies which acquire or utilize Federally owned or leased space under authority other than the Federal Property and Administration Services Act of 1949, as amended, shall conform to the provisions of this Order to the extent they have the authority to do so."

The Defense Department until recently has virtually ignored the urban location policy in its realignment decisions and military construction projects. For example, the Defense Logistics Agency (roughly GSA's military counterpart), which makes siting decisions affecting 45,700 civilian DOD employees, did not consider the administration's urban location policy when choosing locations for its consolidated Defense Contract Administrative Services (DCAS) regional offices.

The House Appropriations Committee's report on the Defense Department Appropriations Bill for fiscal 1978 contained several recommendations relating to the Defense Logistics Agency's DCAS offices. In response to these recommendations, the Defense Logistics Agency (DLA) proposed to reduce the number of DCAS regional offices from nine to five in order to save money and optimize manpower resouces.

In two cases, the sites for consolidated regional offices announced by DLA were located in suburbs rather than distressed central cities: Marietta, Georgia, rather than Philadelphia, Pennsylvania, and a Chicago airport location rather than Cleveland, Ohio.

In choosing the location for the regional office for the consolidated Southeast DCAS, DLA considered the following site selection characteristics: annual recurring savings; one-time costs; net cumulative discounted savings through fiscal 1986, and various location characteristics, such as:

- o "geographically central" location;
- o quality of facilities;
- o local Consumer Price Index; and
- o unemployment rate.[43]

Not considered at all under location characteristics were such considerations as:

- o mission disruption as a result of closing the existing office (Philadelphia), which handles 2/3 of the workload, and moving to the office handling 1/3 of the workload for the Southeast region. This aspect was ignored even though, in a subsequent memorandum, DLA officials dealt with the problem of minimizing contract disruption, which was predicted to be substantial;
- o central city location. The office in Philadelphia is in a distressed central city, whereas the Atlanta office is located in Marietta, Georgia, a suburb 18 miles from Atlanta with no public transportation; and
- o employee efficiency. Philadelphia had a record of higher efficiency and lower average grade of employees.

When the locational characteristics used by DLA were criticized by Representative Robert W. Edgar (D-Pa.), DLA dropped all consideration of location characteristics in favor of a "least cost" test, even though the location characteristics of Philadelphia were compelling.[44] By originally considering such characteristics as "better facilities," "lower consumer price index," and "geographically central location," DLA showed a bias for a location not germane to the mission requirements of the agency involved. This situation was one the urban policy of locating in central cities was designed to prevent.

A subsequent report by GAO in March 1980 revealed that DLA's cost analysis was erroneous and based on a number of questionable assumptions.[45] At the request of the White House, the Defense Department reevaluated the cost analysis and concluded that annual recurring savings favored Philadelphia by $133,000, while one-time costs favored Atlanta by $94,000. The Defense Department then reversed the decision and ordered consolidation in Philadelphia on the basis of "unemployment, availability of public transportation, suburban versus inner city location, climate," and its stated commitment to locate activities "not geographically constrained or required to be near troop concentrations . . . in the Northeast to partially compensate for the tremendously large reduction in Defense activities in the (past) 15 or so years in that area."[46]

Although this decision clearly was a step in the right direction, since it was the first DOD realignment decision in which the urban location policy made a difference, further steps are needed to insure that DOD follows the policy whenever possible. The White House should state clearly that DLA is required to implement the urban location policy and, to demonstrate compliance with the directive, to report regularly to the White House on the results of its location decisions.

Current Status of GSA's Oversight

Final regulations implementing E.O. 12072 were published in the Federal Register on June 2, 1980. These regulations establish GSA's role with respect to agencies with their own siting authority as follows:

> . . .heads of executive agencies that acquire or use federally owned or leased space under authority other than the Federal Property and Administrative Services Act of 1949, as amended, shall notify the appropriate GSA Regional Administrator before taking an irreversible action to acquire or use space when this action is inconsistent with the basic policies of (the urban location policy).
>
> 1. Notification shall include the:
>
> (i) Description of the nature of the activity to be housed, type and amount of space involved, and number of employees to be housed;
>
> (ii) Discussion and analysis of alternative studies;
>
> (iii) Documentation of advice received from local government:
>
> (iv) Copy of the environmental assessment of the proposed action; and
>
> (v) Citation of any statutory restrictions that preclude compliance with the above referenced paragraphs of this section.
>
> 2. Within 30 calendar days of receipt of the agency notification, the Regional Administrator shall notify the agency head in writing of concurrence with the proposed action. If the Regional Administrator does not concur with the proposed action the Regional Adminstrator shall explain any objections in writing to the agency. The Administrator of General Services will notify the Director of the Office of Management and Budget of the basis for nonconcurrence.

This language establishes an extremely weak and almost entirely passive GSA role with respect to oversight of agencies with their own space acquisition authority. Moreover, GSA has taken no initiative in reviewing the procedures of these agencies to insure implementation of the urban policy.

Representative Edgar, Chairman of the Northeast-Midwest Congressional Coalition, requested 11 agencies to report on procedures they had established to insure that the urban policy was considered in agencies with their own

space acquisition authority. Of the 11, only four -- Health, Education and Welfare, Commerce, Energy, and Agriculture -- have incorporated language to implement the urban policy in internal manuals or have established procedures to insure compliance; only three of the four -- HEW, Commerce, and Agriculture -- issued notice of the GSA requirement that non-CBA locations be reviewed by GSA prior to action. The other eight agencies responded to the inquiry as follows:

- National Aeronautics and Space Administration -- "Conformance with Executive Order 12072 is assured through NASA's review plus approval procedure for facilities. Each proposal for acquisition and building space must be reviewed and approved by NASA Headquarters where it is examined by specialists in real estate and master planning."[47]

- Veterans Administration -- "Elements within this agency responsible for acquisition of land plus leasing of property have been made aware of the requirements of E.O. 12072 and 12073 as they relate to their functions. However, we do not as yet have a formal procedure established."[48]

- Department of Energy -- "When requests for space are prepared by our field offices, they are submitted to Administration for review prior to being authorized to submit their requests to GSA. The justification for the delineated area is one of the items reviewed at that time."[49]

- Department of the Treasury -- "Since GSA has yet to issue final regulations implementing the federal facility siting policy, we have not formally issued a directive within the Department on this subject."[50]

- Department of Labor -- "The only direct authority for space acquisition held by DOL is that under which ETA establishes Job Corps training sites. . . . We do not believe that Job Corps centers (Title IV of CETA) fall within the purview of space subject to Executive Order 12072 guidelines. Therefore, we have not addressed Job Corps site selection procedures."[51]

- Department of Interior -- "Implementation of Executive Order 12072 is the responsibility of GSA."[52]

- Department of Justice -- "Department of Justice does not have the authority to acquire federal office space. . . . All of the components of the Department have been advised to provide flexibility in site selection in accordance with Executive Order 12072 when submitting office space requisitions to GSA."[53] It should be noted that GSA regulations grant leasing functions to the Department of Justice for special-purpose space not suited for use by other agencies.

None of the agencies has established any directive requiring designation of the broadest possible geographic area such as an SMSA rather than a specific city when requesting GSA to provide additional space for agency use. They consider it GSA's responsibility to insure that national

policies are followed with respect to space acquisition policies. Yet GSA has stated that "Executive Order 12072 applies to all Executive branch agencies and thereby provides the basic guidance in making initial facility siting decisions by the agency. It is beyond GSA's responsibility to influence an agency's decision as to general geographic location, and, therefore, GSA has developed no procedures to guide an agency's basic location decision."[54] (emphasis added) The latest regulations do nothing to resolve this impasse.

GSA, then, has established minimum oversight over civilian agencies with their own space acquisition authority. Requiring agencies to have GSA review only exemptions to the policy leaves a number of problems unresolved:

- o no comprehensive reporting procedure has been put in place for agencies with their own space acquisition authority;
- o some non-CBA decisions might "fall through the cracks" and not get reviewed by GSA. Without comprehensive reporting, these would go unnoticed unless local officials call attention to them; and
- o GSA does not address the problem of agencies requesting a very limited geographic area in which their space needs must be met by GSA.

The limited oversight role established by GSA in its regulations leaves the initiative entirely up to the agencies, diluting even further the impact of the urban facility location policy.

V. CONCLUSIONS AND RECOMMENDATIONS

The Carter administration has recognized the importance of reversing federal policies that have contributed to the economic deterioration of older urban centers. Therefore it has stated a preference for locating federal offices and personnel in distressed central business districts whenever possible to underscore the federal commitment to the conservation of our nation's cities. Although the policy is an important one, a number of factors severely limit its impact.

The policy directly affects approximately 43 percent of the total civilian workforce. However, since that workforce has not been expanding appreciably (less than 0.5 percent in the last ten years), application of the policy is limited primarily to changes in personnel requirements and relocations of employees in leased space.

Two of the government agencies with the largest workforces -- the Postal Service and the Defense Department -- are exempt from direct compliance, although they are required to conform whenever possible. GSA has worked out a Memorandum of Understanding with the Postal Service to consider location decisions cooperatively, but no reporting procedures are required which would provide a basis for evaluation of the extent of Postal Service compliance. Only in August 1980 -- in the case of the Defense Contract Administration Services regional office in Philadelphia -- did the Defense Department consider the urban location policy when making a location decision affecting non-strategic personnel.

These facts indicate that the urban location policy will have only minimal impact in terms of the numbers of employees potentially affected unless it is more rigorously implemented by all agencies and enforced by the White House. The potential for using location decisions to help conserve urban resources and redevelop the nation's cities also will depend on the ability of federal officials to coordinate space location decisions closely with local officials' redevelopment plans.

Passage of Senator Moynihan's bill (S. 2080) would require GSA to develop long-range plans for meeting federal space needs, insure that federal buildings enhance local communities, and compile comprehensive reports on agency space actions (see Appendix B). However, to achieve the potential of the urban location policy, GSA should reevaluate its present approach to implementation. The goal of the program is to use the location of federal facilities, when feasible, to support redevelopment of the nation's cities. Currently GSA is relying largely on the application of its guidelines by regional personnel on a case-by-case basis. GSA should place more emphasis on long-range planning for cities with significant location potential, and should:

- conduct a comprehensive and thorough study which identifies cities with significant relocation potential for GSA-controlled space;

- o develop comprehensive plans in coordination with local officials for cities identified in the study;
- o strengthen procedures designed to achieve maximum targeting to distressed areas;
- o study the effect the cost-benefit analysis has had on location decisions, including the number of decisions affected, the number of decisions justified on the basis of other anticipated benefits, and the rationale for the 15 percent differential;
- o expedite the Baltimore relocation plan as a demonstration project so actual benefits can be measured and evaluated to provide a basis for establishing the price differential used by GSA; and
- o strengthen its monitoring and evaluation of regional administrators' implementation efforts.

To further strengthen the urban location policy, GSA should make the following administrative changes:

GSA Internal Procedures. GSA should reinstate a centralized review of regional administrators' decisions to grant waivers of the CBA requirement in siting decisions. GAO has documented that many agencies pursue "preferred alternatives" at the expense of federal location policies. GSA headquarters review of regional recommendations to grant CBA waivers would help insure that waivers requested on the basis of agency mission requirements are thoroughly justified. The requirement for GSA headquarters review also would insure that regional personnel in fact are conducting studies of anticipated benefits in those cases where waivers are recommended due to cost increases over 15 percent.

Targeting to Distressed Areas. When agencies request additional space from GSA, they use GSA Standard Form 81, which is designed for agencies to request space in a specific city. This form should be changed to emphasize designation of the broadest possible geographic area, such as an SMSA. Requests for a specific city, unless it is a distressed city, should have to be justified by the requesting agency to the satisfaction of GSA, in a manner similar to agency justification of a non-central business area. This would provide more flexibility to GSA in locating federal employees in distressed cities. At the same time, GSA should provide training, management information system support, and other devices to its regional administrators to increase their understanding of the distressed area location policy and enhance their ability to use it. In addition, personnel evaluation procedures for appropriate regional and central office staff should include performance on this criterion.

GSA should provide semiannual reports to congressional oversight committees and the general public that include readily accessible information on GSA's efforts to target locations of federal employees to CBAs and distressed cities. Other agencies with their own space acquisition authority (including the Postal Service) should report to GSA the results of all space decisions. The format of these reports should make it possible to identify:

- o all agency requests for additional space and the results of location decisions in terms of CBAs, distressed cities, and regional trends;

- o all expired leases and the results of decisions to relocate the office or maintain it at its present location. If the office is relocated, both the former and the new address of the office should be given; and

- o successful urban location efforts coordinated with local redevelopment plans. Successful projects would serve as examples designed to stimulate interest in potential relocation and local redevelopment projects.

This information also would provide both Congress and local officials a means of evaluating the effectiveness of GSA's implementation efforts.

Local Consultation. To strengthen the local role in location decisions, GSA should establish comprehensive plans in conjunction with local officials to relocate federal offices in CBAs. GSA should be responsive to local requests for federal property inventories as well as requests for GSA to prepare planning reports. Local officials should be notified prior to implementation of GSA decisions to locate in non-CBAs. Appeal procedures should be established at GSA headquarters for local officials who disagree with the regional administrator's recommendations, and should explicitly cover situations where local officials disagree with siting decisions made by agencies with their own space acquisition authority, including the Postal Service. GSA officials should provide descriptions of federal programs such as the Urban Development Block Grant program that could be used in conjunction with relocation of federal employees to stimulate private investment in urban centers.

Local initiatives, like that of Mayor William Schaefer in Baltimore, should receive high-level attention and priority in consideration. Such plans should be encouraged and supported by responsive action from GSA. Local officials who experience bureaucratic delays at the regional level should be able to appeal to a designated high-level official at GSA headquarters to expedite the process.

GSA's Agency Oversight. GSA should review agency procedures for insuring implementation of the urban location policy in their own space acquisition actions. These agencies (including the Postal Service) should report to GSA the results of all space decisions, indicating those placed in distressed cities and CBAs, so that GSA can compile comprehensive reports for the public.

Department of Defense. All non-strategic installations of the Defense Department (including offices of the Defense Logistics Agency) should be located in conformance with the urban location policy, and the president should explicitly direct the Defense Department to comply with this requirement. The Defense Department should emphasize implementation of the policy to agency officials and should report on a regular basis to the White House on compliance with the urban location policy.

Other Considerations. Special consideration should be given to the location of government-owned contractor-operated facilities and projects (like municipal solid waste conversion facilities) which the federal government helps finance and which result in fixed assets. Six months prior to anticipated publication of a program research and development announcement (PRDA), a program opportunity notice (PON), or a request for proposal (RFP), a presolicitation announcement should be published in the Commerce Business Daily advertising that preference will be given to projects locating fixed assets in distressed areas. The requirements of the labor surplus area and urban location programs should be considered jointly.

The White House must stress the importance of a more comprehensive approach to implementation of the urban location policy with GSA and other agencies -- including the Department of Defense. Unless GSA and these agencies more vigorously implement the policy, the potential of the program will not be realized.

NOTES

1. Philip L. Rones, "Moving to the Sun: Regional Job Growth, 1968 to 1978," Monthly Labor Review (Washington, D.C.: Bureau of Labor Statistics, March 1980), p. 19.

2. "Federal Installations and Equal Housing Opportunities" (Washington, D.C.: U.S. Commission on Civil Rights, March 1970), pp. 3-4.

3. The Labor Department study included the states of Kansas, Missouri, Nebraska, North Dakota, and South Dakota under the category of North Central. Data was not available on a state-by-state basis, so the Institute could not adjust the figures to represent the Northeast-Midwest region.

4. Rones, "Moving to the Sun," p. 15.

5. Robert Lindsey, "Gas Price Rise Leads Officials in Southwest to Reduce Expansion," New York Times, April 14, 1980, p. 1.

6. James S. Roberts, "Compact Cities, A Neglected Way of Conserving Energy," Testimony before the Subcommittee on the City, House Committee on Banking, Finance and Urban Affairs, December 11, 1979, pp. 48-51.

7. Henry Reuss, Chairman, House Committee on Banking, Finance and Urban Affairs, Congressional Record, December 10, 1979, pp. 11756.

8. Rones, "Moving to the Sun," p. 15.

9. Rones, "Moving to the Sun"; A Case of Inequity: Regional Patterns in Defense Expenditures, 1950-1977 (Washington, D.C.: CONEG Policy Research Center, Inc. and Northeast-Midwest Research Institute, August 1977); Diane DeVaul and Paul Travis, The Regional Impacts of Defense Spending, Considerations of the Economic Consequences of Defense Expenditures, 1947-1977 (Washington, D.C.: Northeast-Midwest Institute and CONEG Policy Research Center, Inc., August 1979); Regional Science Research Institute, The Economic Effects on the Northeast-Midwest Region of Current and Potential National Defense Expenditures (Washington, D.C.: Northeast-Midwest Institute and CONEG Policy Research Center, Inc., August 1979); Jacqueline Mazza and Dale E. Wilkinson, The Unprotected Flank: Regional and Strategic Imbalances in Defense Spending Patterns (Washington, D.C.: Northeast-Midwest Institute, August 1980).

10. Diane DeVaul and William Gabig, The Location of Federal Civilian Employees: Policies, Procedures, and Practices (Washington, D.C.: Northeast-Midwest Institute, March 1979), p. 6.

11. Ibid., p. 10.

12. Ibid., p. 18

13. Ibid., pp. 6-10.

14. Congressional Research Service, Selected Essays on Patterns of Regional Change: the Changes, the Federal Role, and the Federal Response, submitted by Senator Henry Bellmon to the Senate Committee on Appropriations (Washington, D.C.: U.S. Government Printing Office, October 1977), pp. 554-556.

15. Based on Bureau of Census Population Data, July 1, 1979 (Provisional) with the exception of the Washington, D.C. metropolitan area and states of Maryand and Virginia, which are July 1, 1978 (Provisional). Department of Defense, OASD (Comptroller), Directorate for Information Operations.

16. "DOD Personnel and Total Population of the United States (Active Duty Military and Direct Hire Civilians) as of September 30, 1979" (Washington, D.C.: Department of Defense, OASD (Comptroller), Directorate for Information Operations, February 1980).

17. Based on Federal Civilian Work Force Statistics, Annual Report of Employment by Geographic Area, (Washington, D.C.: Office of Personnel Management, December 1978). The percentages are slightly inaccurate, as the GSA data is based on 1979 figures and no 1979 data is yet available from the Office of Personnel Management.

18. Based on Federal Civlian Work Force Statistics, Annual Report of Employment of Geographic Area, (Washington, D.C.: Office of Personnel Management, December 1968 and December 1978).

19. Statement by Mr. R.G. Freeman III, Administrator of General Services Administration, before the Senate Committee on Environment and Public Works, January 29, 1980.

20. Ward Sinclair, "Bill Takes Aim at Uncle Sam's Rising Rent Costs," Washington Post, December 25, 1979.

21. Costs and Budgetary Impact of the General Services Administration's Purchase Contract Program (Washington, D.C.: General Accounting Office, October 17, 1979).

22. Interview with GSA official, September 1980.

23. Edward Gunts, "Downtown's Retail District Fights Uphill Battle," The News American, December 9, 1979, p. 1A.

24. GSA's Space Management Proposals For the National Capital Region and For the Nation's Cities (Washington, D.C.: General Accounting Office, July 30, 1979), pp. 15-16.

25. Interview with GSA officials, October 1980.

26. Statement by Daniel M. Ogden, Jr., Director of Power Marketing Coordination, Department of Energy, before the Subcommittee on Government Efficiency, Senate Committee on Governmental Affairs, May 15, 1979.

27. Carol Patrylick and Bill Barnes, "New GSA Head Stresses Cost Benefit," Nation's Cities Weekly, October 1, 1979.

28. GSA Is Overly Restrictive In Its Implementation of the National Urban Policy In Fort Smith, Arkansas (Washington, D.C.: General Accounting Office, December 6, 1979), p. 6.

29. Ibid., p. 6.

30. R. G. Freeman III, Administrator of General Services Administration, "Memorandum to All Regional Administrators on Implementation of the Urban Policy," October 31, 1979.

31. Interview with GSA official, August 1980.

32. Interview with GSA officials, October 1980.

33. General Services Administration, "Federal Property Management Regulations" (Washington, D.C.: Federal Register, Volume 45, No. 107, June 2, 1980), p. 37201.

34. Letter from Cecil D. Andrus, Secretary, Department of Interior, to the Honorable Robert W. Edgar, Chairman, Northeast-Midwest Congressional Coalition, May 19, 1980, Attachment 1, p. 6.

35. GSA's Space Management Proposals for the National Capital Region and for the Nation's Cities, p. 1.

36. Mary Beth Jorgensen, "Federal Facilities and Your City - The Benefits and How to Get Them" (draft), National League of Cities, July 31, 1980, pp. 33 - 35.

37. Ibid., p. 35.

38. Ibid., p. 30.

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42. Federal Register, Volume 45, No. 107, Monday, June 2, 1980, p. 37204.

43. "Defense Contract Administration Services Regions, Questions and Answers," (Washington, D.C.: Department of Defense, March 1979), p. 3.

44. Letter from Lieutenant General Gerald J. Post, Director of Defense Logistics Agency, to the Honorable Robert W. Edgar, Chairman, Northeast-Midwest Congressional Coalition, November 16, 1979.

45. Review of the Planned Consolidation of Defense Contract Administration Services Regions in Atlanta (Washington, D.C.: General Accounting Office, March 20, 1980).

46. "Defense Contract Administration Services Regions, Questions and Answers" (Washington, D.C.: U.S. Department of Defense, August 1980).

47. Letter from Robert A. Forsch, Administrator, National Aeronautics and Space Administration, to the Honorable Robert W. Edgar, Chairman, Northeast-Midwest Congressional Coalition, February 11, 1980.

48. Letter from Max Cleland, Administrator, Veterans Administration, to the Honorable Robert W. Edgar, Chairman, Northeast-Midwest Congressional Coalition, February 28, 1980.

49. Letter from John A. Hewitt, Jr., Chief Financial Officer, Department of Energy, to the Honorable Robert W. Edgar, Chairman, Northeast-Midwest Congressional Coalition, April 7, 1980.

50. Letter from Gene E. Godley, Assistant Secretary (Legislative Affairs), Department of the Treasury, to the Honorable Robert W. Edgar, Chairman, Northeast-Midwest Congressional Coalition, February 21, 1980.

51. Letter from Ray Marshall, Secretary of Labor, to the Honorable Robert W. Edgar, Chairman, Northeast-Midwest Congressional Coalition, February 7, 1980.

52. Letter from Secretary Cecil D. Andrus to the Honorable Robert W. Edgar, May 19, 1980.

53. Letter from Kevin D. Rooney, Assistant Attorney General for Administration, Department of Justice, to the Honorable Robert W. Edgar, Chairman, Northeast-Midwest Congressional Coalition, February 12, 1980.

54. Letter from A. R. Marschall, Comissioner, Public Buildings Service, General Services Administration, to the Honorable Robert W. Edgar, Chairman, Northeast-Midwest Congressional Coalition, February 6, 1980.

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APPENDIX A

METHODOLOGY

The basis for this report is a General Services Administration computer listing of government-owned and leased space it currently controls.

A March 1979 Northeast-Midwest Institute study, The Location of Federal Civilian Employees: Policies, Procedures, and Practices, included figures based on data compiled by the Civil Service Commission (now the Office of Personnel Management).

The present report includes new data compiled by the Office of Space Management, a subdivision of the General Services Administration. The date of compilation was April 24, 1980.

The criteria for establishing Standard Metropolitan Statistical Areas (SMSAs) were provided by the Office of Federal Statistical Policy and Standards, Department of Commerce, January 3, 1980. According to the agency there are 288 SMSAs nationwide. The computer listing by the General Services Administration shows it controls office space in 283 of those areas. The listing does not show when the decisions to acquire the office space were made, so it is impossible to see regional shifts in federal population from these data.

The data in the report are presented regionally with the District of Columbia not included in the national totals. The Maryland and Virginia sections of the Washington, D.C. SMSA are added to their respective state totals.

On the computer listing, each SMSA is broken down into principal cities and nonprincipal cities. Principal cities are the central cities listed in the SMSA title. Any other city within the SMSA is a nonprincipal city. For the purpose of this report, political jurisdictions were used to indicate central business areas. CBAs are defined for GSA by local officials.

The computer listing arranges its data on a state-by-state basis, with some SMSAs bridging two or more states. SMSAs in which GSA has placed employees were counted once. Employees in an SMSA which bridges two or more states were added to the totals for the state in which they were located. The only double counting involved was in the total number of SMSAs by state, not the numbers of employees. The total number of SMSAs was adjusted as seen in the following two tables.

The following table shows instances of SMSAs located in more than one state. The SMSAs are listed under the state in which GSA has located employees in the principal city.

Northeast

Delaware
Wilmington DE, NJ, MD

New York
Binghamton NY, PA
New York, NY, NJ

Pennsylvania
Allentown-Bethlehem-Easton, PA, NJ
Philadelphia, PA, NJ

Rhode Island
Providence-Warwick-Pawtucket, RI, MA

Midwest

Iowa
Sioux City, IA, NE

Indiana
Evansville, IN, KY

Ohio
Cincinatti, OH, KY
Toledo, OH, MI

South

Arkansas
Fort Smith, AR, OK
Texarkana, AR, TX

Georgia
Augusta, GA, SC

Kentucky
Louisville, KY, IN

Tennessee
Chatanooga, TN, GA
Memphis, TN, AR, MS

West Virginia
Wheeling, WV, OH

West

Missouri
St. Louis, MO, IL

North Dakota
Grand Forks, ND, MN

Nebraska
Omaha, NE, IA

Oregon
Portland, OR, WA

Washington, D.C., D.C., MD, VA

The following table shows SMSAs with employees listed in principal cities in two different states.

Northeast

Iowa - Illinois
Davenport-Rock Island-Moline

Midwest

Minnesota-Wisconsin
Duluth-Superior

Minnesota-North Dakota
Fargo-Moorehead

Ohio - West Virginia
Parkersburg-Marietta
Steubenville - Weirton

South

Tennessee - Virginia
Johnson City-Kingsport-Bristol

Tennessee - Kentucky
Clarksville-Hopkinsville

West

Missouri - Kansas
Kansas City

Special Case*

West Virginia - Kentucky
Huntington-Ashland, WV, KY, OH

*In the special case of the Huntington-Ashland SMSA, employees are listed in the principal cities of both West Virginia and Kentucky, but in Ohio employees are in non-principal cities only.

The determination of distress is provided by the Department of Housing and Urban Development in the Federal Register of Wednesday, February 20, 1980. Those cities qualifying for Urban Development Action Grants also meet the minimum standards of economic distress. The criteria are:

1. Age of Housing -- At least 33.77 percent of the applicant's year-round housing units must have been constructed prior to 1940, based on U.S. Census data;

2. Per Capita Income -- The net increase in per capita income for the period 1969-1975 must have been $1,762 or less, based on U.S. Census data;

3. Population Lag/Decline -- For the period 1960-1976 the percentage rate of population growth (based on corporate boundaries in 1960 and in 1977) must have been 16.68 percent or less;

4. Unemployment -- The average rate of unemployment for 1978 must have been 5.95% or greater, based on data compiled by the Bureau of Labor Statistics;

5. Job Lag/Decline -- The rate of growth in retail and manufacturing employment for the period 1967-1972 must have increased by 7.08 percent or less; and

6. Poverty -- The percentage of persons within the applicant's jurisdiction at or below the poverty level must be 11.07 percent or more based on 1970 U.S. Census Data. For the unique distress factor, the poverty level must be 16.605 percent or more and the 1975 per capita income must be not greater than $4,888.

To qualify as potentially eligible under the Action Grant program, a city or county must have three or more points under the six criteria. A point is given when the distress data is equal to or greater than a minimum distress standard, or equal to or less than a maximum distress standard. However, where the poverty value is less than half the standard (i.e., percent of poverty is 5.54% or less), one point is deducted from the qualification column; where the poverty value is equal to or greater than 1 1/2 times the standard (i.e., the percent of poverty is 16.67% or more) and the 1976 per capita income is not greater than the median for metropolitan cities ($4,888), one point is added to the qualification column.

Finally, a series of White House reports showed when and where location decisions were made for the year of 1979. A compilation of reports for 1980 could be invaluable to provide an idea of trends in location of federal employees. Cases of double counting from month-to-month were accounted for as best possible, but all cases may not have been caught due to ambiguities in reporting office space and employees. For example, a report of 18 employees in 2,670 square feet of space in Boulder, Colorado, for the month of January may appear in September to be 30 employees in 2,900 square feet of space. GSA reported providing the Department of Housing and Urban Development space for 294 employees in 67,600 square feet on May 3, 1979. On the next page of the report, another May 13 entry listed 277 employees in 67,800 square feet of space for Ft. Worth. In April, the report showed 276 employees in 68,000 square feet of space. Therefore this listing was counted in Ft. Worth, Texas, as 294 employees, because it was the first report.

APPENDIX B

LEGISLATIVE ALTERNATIVE

Senator Daniel Patrick Moynihan (D-N.Y.) introduced a comprehensive Public Buildings Act (S. 2080) to correct perceived deficiencies in the Public Buildings Service of GSA. The bill passed the Senate Committee on Environment and Public Works by a unanimous vote and on June 20, 1980, passed the Senate 71-8. The intent of the legislation is to establish a national policy of maintaining public buildings to insure the highest productivity and efficiency of federal offices, to "preserve and advance the Nation's legacy of architectural excellence, and to enhance commercial and cultural conditions in the vicinity of public buildings."

This legislation seeks to address a number of problems in the Public Buildings Service, including:

- o higher long-range cost to the federal government for leased space, some of which is of poor quality;
- o inadequate financing mechanisms for purchasing, constructing, and/or renovating government-owned buildings;
- o lack of comprehensive planning and adequate management; and
- o confusing policies to be considered by GSA when making location decisions.

The legislation would:

- o require GSA to establish a long-range buildings program to locate no less than 75 percent of federal employees in government-owned buildings within 20 years and 60 percent within ten years;
- o reestablish a "purchase contract" program which finances building construction using Treasury funds;
- o require GSA to submit a five-year plan and an annual report for federal buildings contruction and siting which conforms to legislative guidelines; and
- o establish priorities in the location of facilities owned or leased by the federal government.

The need for a concrete policy governing the construction of federal buildings does not arise from an expansion of the federal bureaucracy. Rather it recognizes that the government must undertake long-range planning in the housing of its employees. Since construction of new federal buildings requires much larger initial outlays than leasing, GSA tends to favor leasing over construction. Leasing, however, does not yield any permanent government asset and often is a more costly way to house employees in the long run.

On January 29, 1980, GSA Administrator R. G. Freeman III told the Senate Committee on Environment and Public Works:

Expenditures for leased space have increased from $364 million in 1975 to a level of $574.7 million in 1980, and leased square footage has increased from 86 to 96 million square feet. If existing trends continue, the space requirements of agencies housed by GSA will continue to expand. At the end of Fiscal Year 1979, GSA provided approximately 230.7 million square feet of space to client agencies. About 137.4 million square feet is in Government-owned space and about 93.3 million in leased space, a ratio of 60/40. While total space has increased nearly 10 percent from Fiscal Year 1969, the amount of Government-owned space has decreased 14 percent, and leased space has increased by 92 percent.

The five-year plan for federal buildings construction outlined by S. 2080 would force GSA to establish goals and budget resources to accommodate the projected space needs of agencies. To provide a smooth transition from leasing to federal ownership, and to provide for the relocation of employees, the bill establishes goals and timetables for increased use of federally-owned buildings.

The bill would reestablish GSA's "purchase contract" program to finance construction projects by borrowing funds from the Treasury at interest. These loans would be repaid over a term of years, in a similar fashion to a mortgage.

The new "purchase contract" authority provided in S. 2080 would be significantly different from GSA's previous authority. The old method allowed GSA to go outside the federal budget by getting financing from private investment companies. In 1974 the Budget Committee cracked down on funding sources outside the control of the budget process, and GSA has been unable to use this method since that year.

At present the method of financing new construction or acquisition of buildings is the Federal Buildings Fund. This fund receives money through rates charged to agencies occupying space in federal buildings. However, the fund has not built up adequate revenues for the numerous projects GSA has under consideration. Some of the rates do not even cover operating costs of the facilities, let alone provide any buildup in the fund. S. 2080 redefines the rates charged to agencies leasing space under GSA to provide a more equitable contribution to the fund.

S. 2080 also would correct a number of deficiencies relating directly to effective implementation of the urban facility siting policy:

Confusing policies. Priorities are outlined in Title II of the proposed legislation, which establishes guidelines to be folowed in location decisions for new and existing government space. Section 201 states:

(a) Unless otherwise specified in an Act of Congress, the headquarters office of each department is to be located within the National Capital region.

(b) Regional, district, area, or local offices of Federal agencies are to be centrally located within the residential populations they serve or

other governmental and private offices that they maintain frequent physical communication with.

(c) Federal offices other than the above are to be located throughout the United States generally in proportion to the geographic distribution of the Nation's population.

Section 202 lists factors that must be considered after the priorities established in 201 are followed:

(1) Within an SMSA, offices are to be located in the central business district of a city;

(2) access to existing or planned public transportation facilites;

(3) proximity of public amenities and commercial facilities;

(4) the availability of existing or planned housing adequate to the needs of present and prospective Federal employees on a nondiscriminatory basis.

Section 203 requires GSA to locate federal offices in:

(A) existing public buildings, giving first priority to utilizing fully, by renovating if need be, public buildings of historic, architectural or cultural significance,

(B) in buildings of historic, architectural or cultural significance acquired by GSA and renovated if need be,

(C) in existing buildings acquired and renovated or in new buildings constructed by the Administrator if such building space cannot be made available to meet urgent public buildings needs, and finally

(D) in building space leased by the Administrator giving first priority to leasing space in buildings of historic, architectural, or cultural significance.

These criteria do not provide for any targeting to distress.

Decentralized Decision Making. The legislation requires GSA to notify Congress of additional delegation of space acquisition authority. This would allow Congress to review subsequent delegations on the basis of performance by agencies with their own acquisition authority.

Local Consultation. The role of public buildings in revitalizing the economic and cultural life of the community is emphasized in the Moynihan bill, which includes a responsive role for GSA in contributing to local plans to redevelop urban areas.

Regional Equity. By requiring that offices other than headquarters or regional and local offices which must be located on the basis of residential populations served be located in proportion to the geographic distribution of the nation's population, the bill strengthens GSA's role in maintaining equity. Currently regional equity is addressed only through the haphazard process of congressional oversight, which applies in practice only to projects over $500,000. Proposals are submitted to congressional committees throughout the year and are considered in the absence of an overall perspective on space needs. The language in S. 2080 does not restrict oversight to large projects. In addition, the analysis of regional equity will be facilitated by requiring annual reporting on all space location decisions. The five-year plan required of GSA would give oversight committees the opportunity to evaluate projects in advance and in the context of overall space needs.

Reporting Procedures. S. 2080 would strengthen reporting procedures in two important ways: by requiring agencies with their own space acquisition authority to report annually to GSA and by requiring GSA to report annually to the Senate Committee on Environment and Public Works and the House Committee on Public Works and Transportation.

If agencies report to GSA on the results of their space decisions, GSA can then incorporate this information in its annual report to Congress, giving Congress and the public a basis on which to evaluate the effectiveness of national policies. As discussed earlier, such reports are not required now, making evaluation of federal policies difficult or impossible.

Active versus Reactive Role. By requiring GSA to submit a five-year plan to congressional oversight committees, the legislation would force GSA to make the necessary investment in long-range planning and management systems, which in turn would help move GSA out of a reactive position to a more active role. Furthermore, the intent of the legislation is to strengthen GSA's role as a forerunner in energy-efficient, economically sound building projects designed to preserve architectural history and enhance the impact of the federal presence in the communities where they are located. By cutting long-term government costs through increased use of federally-owned buildings, GSA would have an effective tool with which to demonstrate the role of the federal government in redevelopment of urban areas.

The House Subcommittee on Public Buildings and Grounds has reported out an amendment (H.R. 6075) to the Public Buildings Act of 1979 which now is awaiting floor action. It provides GSA with authority to borrow funds from the Treasury to finance public building construction and acquisition. The funds will be repaid to the Treasury starting with the completion of the building and extending no longer than 30 years. The bill does not set any goals for increasing the inventory of public buildings over leased space, but urges GSA to pursue this course.

The House Subcommittee approved another measure, H.R. 7579, to provide a House subcommittee position for conferees. It contains provisions requring GSA to submit a program for the next fiscal year for public buildings projects, as well as a comprehensive four-year plan to meet future federal space needs. A prospectus would be included for each public building project specified in the yearly program.

H.R. 7579 contains additional language on location policy which would give preference to distressed areas. However, it also would reduce the cost differential permitted for relocation decisions from 15 to 10 percent. If a decision to move an office downtown results in more than a 10 percent increase in cost to the federal government, other intangible benefits from such a decision must be identified in a study submitted to congressional oversight committees for approval. The targeting language of this amendment is as follows:

Section 4(c)

(h) Any decision by the Administrator to locate or relocate a Federal agency office in an area shall be made after early and effective consultation with local elected officials in such area. In locating or relocating a Federal agency office within a metropolitan area, the Administrator shall give preference to distressed areas identified by local officials in redevelopment plans and shall take into account, among other factors, the following:

(1) the geographic location of the population to be served;

(2) the appropriateness of the location with respect to the service being rendered;

(3) the availability of public transportation; and

(4) the availability of existing or planned housing which is adequate to the needs of present and prospective Federal employees and is available on a nondiscriminatory basis.

(i) Whenever the Administrator proposes to relocate a Federal agency office from one place within a metropolitan area (as defined by the Administrator in regulations) to another place within such area and the rental costs of and the costs of relocating to such other place exceed by more than 10 per centum the costs of remaining at the current location, the Administrator shall submit a report of such proposed relocation to the Committee on Public Works and Transportation of the House of Representatives and the Committee on Environment and Public Works of the Senate. The Administrator shall not carry out such relocation before the thirtieth day following the date on which such report has been submitted to each such Committee.

The provisions of the Senate bill which direct GSA to locate facilities in central business areas should be retained, as they provide a legislative basis for the policy. However, priority should be given to locating facilities in distressed jurisdictions whenever possible.

The House provision reducing the cost differential for relocation decisions to 10 percent should be dropped. GSA officials have estimated that most relocations result in 10-20 percent increased costs. However, no study of the actual benefits derived from recent relocation decisions has been made which would provide a basis for determining an appropriate cost differential.

By requiring GSA to report on anticipated benefits which would justify a relocation decision despite increased costs, Congress would establish a disincentive to GSA officials, who would have to justify virtually every relocation decision. If followed, this procedure would result in a substantial additional workload for both GSA and Congress, since the provision applies regardless of the size of the facility being relocated.

APPENDIX C

GSA COST-BENEFIT ANALYSIS

(1) An estimate of the comparative costs of a central business area location versus the costs of non-CBA locations shall be made, including an analysis of:

(i) The estimated annual per-square-foot market rent for comparable space in the central business area versus similar estimated market rents for delineated noncentral business area locations under consideration, plus

(ii) The estimated per-square-foot cost of duplicating permanent special-type alterations (such as laboratory or ADP space) amortized over the term of the lease and all renewal options; plus

(iii) The estimated per-square-foot cost of relocating offices to the various alternative locations, including the central business area, amortized over the term of the lease and all renewal options, and

(iv) The estimated per-square-foot cost of residential relocation of employees, eligible for relocation under the Federal Travel Regulations (FPMR 101-1), who will likely apply for relocation. (These costs also will be amortized over the term of the lease and all renewal options.)

(2) The sum of the cost factors listed above shall be computed for each alternative location considered, including the central business area location. If the annual per-square- foot cost of locating into the central business area does not exceed by a margin of 15 percent of the per-square-foot cost of those alternative locations outside the central business area, relocation shall be accomplished without further study.

SOURCE: General Services Administration, Federal Property Management Regulations, Federal Register, Volume 45, No. 107, June 2, 1980, p. 37201.

APPENDIX D

GSA'S STUDY OF INTANGIBLE BENEFITS DERIVED FROM LOCATION DECISIONS*

(i) The influence a relocation will have on any established plan of the city to develop or redevelop the central business area. This factor shall include consideration of the extent to which the plan has been or will be implemented locally through Federal financial assistance and other positive commitments by the local community and an assessment of the prospects for success of the plan;

(ii) The impact of the proposed action on the affected office space rental markets;

(iii) The extent to which the accessibility of low and moderate income housing on a nondiscrimination basis and nondiscrimination in the sale and rental of residential housing for Federal employees will be improved;

(iv) The extent to which the accessibility of the central business area location to all segments of the population of the community served will be improved;

(v) The availability of parking and public transportation for employees and visitors to the central business area location; and

(vi) All other benefits particularly applicable to the local situation.

SOURCE: General Services Administration, Federal Property Management Regulations, Federal Register, Volume 45, No. 107, June 2, 1980, p. 37201.

*This study will be used by GSA to make a final decision on a proposed relocation into a central business area.

APPENDIX E

EXEMPTIONS ALLOWING AGENCIES TO MAKE THEIR OWN LOCATION DECISIONS

The Federal Property and Administrative Services Act of 1949 exempts the Department of Defense from GSA space acquisition authority in the following language in Section 201 (4):

> Provided. That the Secretary of Defense may from time to time, and unless the President shall otherwise direct, exempt the National Military Establishment from action taken or which may be taken by the Administrator under clauses (1), (2), (3), and (4) above whenever he determines such exemption to be in the best interests of national security.

Clauses 1-4 refer to procurement policy and federal facility management.

The Reorganization Plan No. 18 of 1950 also is cited in regulations as a source of exemptions in Section 1, "Transfer of space assignment and leasing functions." Exemptions to transfer of functions to the Administrator of GSA are as follows:

(a) Space in buildings located in any foreign country;

(b) Space in buildings which are located on the grounds of any fort, camp, post, arsenal, Navy yard, naval training station, air field, proving ground, military supply depot, or school, or of any similar facility, of the Department of Defense, unless and to such extent as a permit for its use shall have been issued by the Secretary of Defense or his duly authorized representative;

(c) Space occupied by the Post Office Department in post office buildings and space acquired by lease for post office purposes; and

(d) Space in other Government-owned buildings which the Administrator of General Services finds are wholly or predominantly utilized for the special purposes of the agency having the custody thereof and are not generally suitable for the use of other agencies (including but not limited to hospitals, housing, laboratories, mints, manufacturing plants, and penal institutions), and space acquired by lease for any such purpose. . . .

In addition, Section 3.(c) states:

> The Administrator of General Services shall prescribe such regulations as he deems desirable for the economical and effective performance of the functions transferred by the provisions of this reorganization plan.

In the Public Buildings Act of 1959 (P.L. 86-249), Section 13 provides:

> (A) on the public domain (including that reserved for national forests and other purposes), (B) on properties of the United States in foreign countries, (C) on Indian and native Eskimo properties held in trust by the United States, (D) on lands used in connection with Federal programs for agricultural, recreational, and conservation purposes, including research in connection therewith, (E) on or used in connection with river, harbor, flood control, reclamation or power projects, or for chemical manufacturing or development projects, or for nuclear production, research, or development projects (F) on or used in connection with housing and residential projects, (G) military installations including any fort, camp, post, naval training station, airfield, proving ground, military supply depot, military school, or any similar facility of the Department of Defense, (H) on Veterans Administration installations used for hospital and comiciliary purposes, and (I) the exclusion of which the President may deem, from time to time, hereafter to be justified in the public interest.

Section 15 authorizes the Administrator of GSA to delegate acquisition authority:

> The performance, in accordance with standards established by theAdministrator of General Services, of the responsibilities and authorities vested in him under this Act shall, except for the authority contained in section 4, upon request, be delegated to the appropriate executive agency where the estimated cost of the project does not exceed $100,000, and may be delegated to the appropriate executive agency where the Administrator determines that such delegation will promote efficiency and economy. No delegation of responsibility or authority made under this section shall exempt the person to whom such delegation is made, or the exercise of such responsibility or authority, from any other provision of this Act.

The regulations (Title 41. Public Contracts, Property Management Subchapter D - Public Buildings and Space) that carry out the above legislative language exempt certain agencies from requesting space from GSA.

101-18.102 Acquisitions by Other Agencies:

(a) The Departments of Agriculture, Commerce, and Defense may lease their own building space, and land incidental to its use, . . . when the space is situated outside an urban center. (This is followed by a list of urban centers.)

(b) The Department of the Treasury may lease space and land for the Comptroller of the Currency.

(c) The Tennessee Valley Authority may lease building space and land.

(d) The National Aeronautics and Space Administration may lease building space and land outside the District of Columbia.

(e) A Federal agency may lease space in buildings and land for its use when:

(1) The space is located in any foreign country;

(2) The space is in buildings which are located on the grounds of any fort, camp, post, arsenal, Navy Yard, naval training station, airfield, proving ground, military supply depot, or school, or of any similar facility, of the Department of Defense, unless and to such extent as a permit for its use shall have been issued by the Secretary of Defense or his duly authorized representative.

(3) The space is acquired by the U.S. Postal Service for postal purposes.

Agencies can perform leasing functions when they meet the following conditions in Section 101-18.104, "Delegation of leasing authority":

(a) The space may be leased for no rental, or for a nominal consideration of $1.00 per annum; or

(b) When authority has been requested by an executive agency and a specific delegation has been granted by the Administrator of GSA;

(c) The space is found by the Administrator of GSA to be predominantly utilized for the special purposes of the agency and is not generally suitable for use of other agencies. (The list includes Department of Agriculture, Department of Commerce, Department of Defense, Federal Home Loan Bank Board, Department of HUD, Department of Justice, Tax Court of the United States, Veterans Administration, Department of Interior, Department of HEW, Federal Communications Commission, Department of Transportation (U.S. Coast Guard and Federal Aviation Administration).

(d) Prior approval of GSA has been obtained before an agency initiates a leasing action which involves 2,500 or more square feet of special purpose space.

In addition, Mr. Freeman announced in his testimony on S. 2080 that he has delegated leasing authority for military recruiting activities to the Department of Defense.